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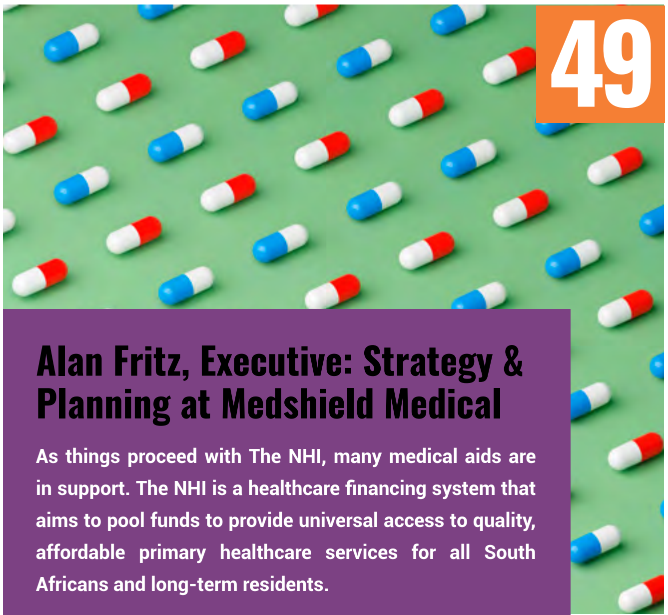
WHY RENASA, ROGER?


BECAUSE BROKERS TRUST RENASA TO HELP THEM BUILD THEIR CLIENTS' TRUST.



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MEDICAL AID: YOU GET WHAT YOU PAY FOR.

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Alan Fritz, Executive: Strategy & Planning at Medshield Medical

As things proceed with The NHI, many medical aids are in support. The NHI is a healthcare financing system that aims to pool funds to provide universal access to quality, affordable primary healthcare services for all South Africans and long-term residents.

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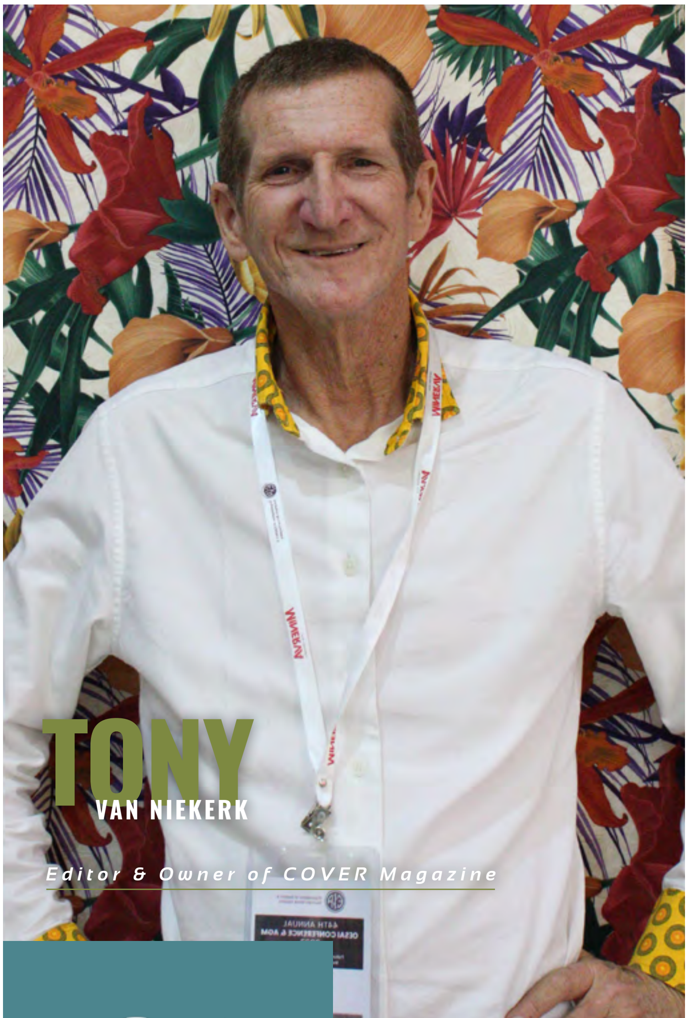
HEALTHCARE AS A BASIC RIGHT



Of the various burning issues facing our country, one of the most pressing and also most complicated, is universal access to quality healthcare.

The challenges in achieving this is varied, with cost and skilled professional numbers two of the main factors. There are several ways to eat this whale. We need to have strategies in place to achieve the following:

1. Lower the cost of access to healthcare. This means finding innovative ways to deliver healthcare.

2. Limit the need for healthcare. This entails initiatives like effective family planning, accessible pre-natal care, proper nutrition from young, healthy habit education, reducing crime and making roads safer, amongst others.

3. Rebuilding our public healthcare facilities, which will need financing, efficient use of those funds and effective fraud/ corruption control

4. Increase the numbers of healthcare professionals on all levels and in all segments of healthcare

If we can get these right we can achieve a country that gives everyone access to quality healthcare at an affordable rate. Our bonus Healthcare Insert in this month's edition of COVER unpacks many of the issues I highlighted above.

Business Interruption: The growing risk of cyber attacks has shifted business focus to business interruption. Companies have sought protection from BI in the event of natural catastrophes for a long time. However, the rise of cyber attacks has highlighted the far-reaching effects on supply chains and other disruptive developments. Make sure you check out the Short-term section.

Enjoy the read!

FINANCIAL PLANNING

"Performance will always be relevant and part of client discussions, but it should not be the focus point or an overriding consideration"

- MARISKA COMINS, HEAD OF TECHNICAL SUPPORT AT PSG WEALTH

UNCLAIMED ASSETS IN SOUTH AFRICA'S FINANCIAL SECTOR

The Financial Sector Conduct Authority (FSCA) have launched a seminal discussion paper on Unclaimed Assets which have accumulated to almost R90 billion across the financial sector, with the majority of these assets being in retirement funds.

The discussion paper builds on work done by the FSCA and the National Treasury (NT) to find a solution that will lead to increased disbursements of unclaimed assets to beneficial owners. FSCA Commissioner, Mr Unathi Kamlana, says work is continuing to establish the true value of unclaimed assets in the sector, given that these assets are held by various financial institutions, and not only by retirement funds.

He says one big hinderance to disbursing these funds is the lack of a common understanding of what constitutes dormant or unclaimed assets, and the lack of reliable data. "We recognise that good progress has been made, but as the FSCA we remain concerned because ultimately we have to consider whether the customers, and beneficiaries in this case, are being treated fairly.

It is quite clear that we have to improve the outcomes for customers and that's what this paper is trying to achieve," says Kamlana. Dealing with unclaimed assets is a complex task, with many moving parts across different sectors of the economy.

These Assets Include:

1. Retirement fund benefits
2. Bankdeposits, including foreign currency deposits
3. Participatory interests in collective investment schemes
4. LifeandNon-LifeInsurancepolicies
5. Securities

The FSCA's discussion paper considered international unclaimed assets frameworks to determine the definitions, management and reporting of unclaimed assets. The paper also outlines reasons for the nature and extent of the problem of unclaimed assets in South Africa, which vary by sector.

THE MOST COMMON REASONS ARE:

1. Asset Owners' Failure to:
   - Keep financial institutions updated with their contact details and the personal details of their beneficiaries; and
   - Inform their beneficiaries of the existence of the assets and the institutions where it is held.
2. Inadequate record keeping by financial institutions and intermediaries in the value chain.
3. Inconsistency in approach to the identification and treatment of unclaimed assets (including reunification efforts) both within market segments and across the financial sector overall.
4. Failure by employers to provide retirement funds/administrators with complete details of the members of the fund.
5. Changes in intermediaries and administrators.

The FSCA proposes 13 recommendations in support of a holistic and consistent approach to the treatment of lost accounts and unclaimed assets within the financial sector. One of the most significant proposals is the establishment of a single Central Unclaimed Assets Fund into which all unclaimed assets, once identified as such, should be transferred and managed on behalf of the sector. Alternatively, such unclaimed assets can be transferred into the National Revenue Fund for the same purpose.

Ms Katherine Gibson, FSCA Deputy Commissioner, says the FSCA paper is intended to avoid a build-up of unclaimed assets in the future. "We are approaching this from a fairness point of view on behalf of customers, most of whom are from vulnerable backgrounds. This fits in well with our wider consumer protection framework," says Gibson. The Discussion Paper on Unclaimed Assets can be downloaded from www.fsca.co.za.

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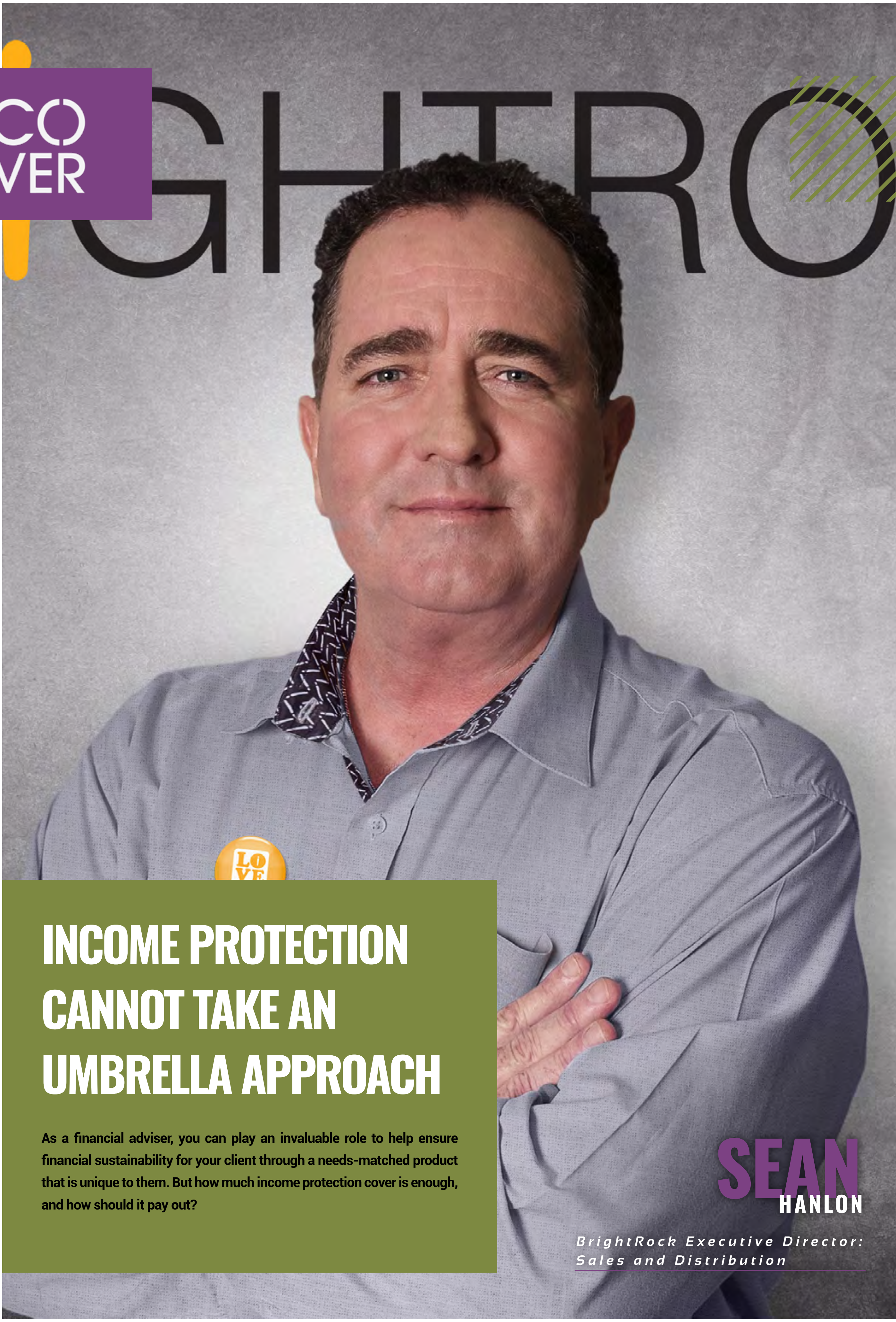


INCOME PROTECTION CANNOT TAKE AN UMBRELLA APPROACH

As a financial adviser, you can play an invaluable role to help ensure financial sustainability for your client through a needs-matched product that is unique to them. But how much income protection cover is enough, and how should it pay out?

SEAN HANLON

BrightRock Executive Director: Sales and Distribution

"Lump-sum products are not always suited to the client's actual needs."

Current financial analysis tools consider a client's current income, expected annual inflation and the time that they still have before they retire to determine a suitable lump sum amount that represents the present value of the client's financial need for the remainder of their working life. Capital disability cover that pays out a single lump sum amount is still the most widely sold solution in the market for income protection needs. However, structuring this cover to meet the client's needs at the claim stage is not as simple as it may seem.

FINDING THE BALANCE

Lump-sum products are not always suited to the client's actual needs, especially as the client's needs may change over time. In the case of a client becoming permanently disabled without any impact on their life expectancy (for example, becoming deaf), they will face the very real prospect of not having enough money for the full duration of what would have been their income-earning years if they can't invest this once-off payment to generate the income that they need. If the lump-sum amount falls short or investment returns are unfavourable due to adverse market conditions, this could mean years or even decades without enough to live on.

Lump-sum cover also generally contains significant premium waste, as it is structured to keep growing at a set rate for a set period, even though clients' income needs until they retire decrease in line with the number of pay cheques that they still expect to receive. While the lump-sum suggested by the FNA tool is accurate at the time of purchase, after a period of time it simply does not match the needs of a client.

Lump-sum cover also groups various insurance needs into a single cover amount, not taking into account the fact that the underlying needs being covered are different and exist for differing terms. For example, a lump-sum will be in place until a client is 65, but some of the needs it covers – such as a mortgage bond or children's educational costs – would exist for a far shorter period. Because of this, clients end up paying more from day one for cover they don't need for nearly as long. The cost of insurance can be significantly decreased if each need is covered appropriately for the correct term.

INSURANCE ISN'T A ONE SIZE FITS ALL PRODUCT

When it comes to insurance cover, everyone has different circumstances that are distinct from the next person. Their lives, needs and the people they love and want to protect all vary. This is why financial advisers play such a crucial role in helping to advise clients. The ideal is to have insurance products that are designed to empower a client and financial adviser, that can enable the co-creation of the most suitable money solutions to suit the specific needs and horizons of each individual.

Our industry needs to develop more sophisticated quoting systems, analysis tools and risk protection solutions that can not only calculate a lump-sum but can ensure that a client correctly allocates their income protection cover to the different needs that are important to them. Just as clients allocate their monthly income to different financial needs within a manageable household budget, they should be able to cover their childcare needs, debt repayments and general household expenses through a sophisticated income protection solution.

A client should, with the help of their financial adviser, be able to control when and for how long they require cover for certain needs. By determining the appropriate periods that cover is required for, advisers can help clients remove waste, making cover affordable, while ensuring that clients' needs are taken care of, at the right time.

In times of economic turmoil and inflation, a client should feel that they are in the driving seat and have better control over their income protection – they should be able to select to receive either a lump sum or a monthly pay-out rather than being forced into one choice. It also becomes crucial in the current inflationary environment that a client has an accurate indication of their future cover projections, the present value of their future income stream, and how they can change their cover to suit their changing needs over time.

These are the principles that underpin needs-matched solutions and that we believe our industry can no longer ignore.

MEN'S HEALTH MONTH:

THIS YEAR, GROW SOME INCOME PROTECTION

November is Men's Health Awareness Month and we know what that means. We're going to see some shocking attempts at moustaches as we raise awareness of men's health issues, like prostate and testicular cancer and suicide.

When it comes to men's health, an adviser's role is clear: help your clients make healthy financial decisions that keep them and their families protected when illness, mental health issues or injury strike. Bidvest Life saw the highest number of claims in its 27-year history in 2021, with claim volumes increasing by 44% compared to 2020. Mental health issues, largely due to anxiety, burnout and depression, were the fourth-most common reason for claiming on income protection, behind cancer-related claims.

Here, prostate cancer continues to be the most common cancer for men in South Africa. As an industry, we can't ease their health issues. But we can certainly ensure that they can take the time off to recover without having to worry about losing their incomes.

That's why income protection benefits should be the number one priority for every working South African – and financial advisers have a key role to play. It's up to you to ensure your clients know their real needs and risks and are covered correctly. By prioritising income protection benefits, they are protected from life's curveballs and have claim certainty.

THAT MEANS ASKING QUESTIONS LIKE:

- Do your clients have both temporary and long-term income protection in place?
- Have you provided them with effective cover for critical illnesses that provides for both income and lump sum needs to focus on their recovery?
- If so, have they selected the right waiting period to suit their needs and do they understand the impact of that decision at claim stage?
- Do you have clients who were previously uninsurable due to their occupation? They may now qualify for cover.

The fact is that many clients think that because they have medical aid, they're covered for what life throws at them. They're wrong. Often, medical aid doesn't even cover all their medical expenses, let alone keeping the lights on and the groceries bought while they are unable to work.

Many critical illness products in the market will only start paying out when a prostate cancer sufferer has a Gleason score of 6 or above, and in some cases only from a Stage T2. The fact is that the quicker men get treated, the better their chance of survival and life expectancy.

At Bidvest Life, we don't even look at Gleason scores, which means we start paying claims sooner for less severe cancers, giving the client the best chance at treatment and a better quality of life. Not all policyholders are so lucky. Ultimately, even a short-term interruption in income places a client's entire financial plan at risk. Let's make sure they have cover where they need it and that's not their upper lip.

FINANCIAL ADVISERS ARE THE "PERSONAL TRAINERS" OF THE INVESTMENT INDUSTRY

When looking at global news headlines, we are inundated by negative news, from concerns about whether Russia will use nuclear weapons, the constant devastation in Ukraine, North Korea's missile tests, a gas crisis in Europe, and supply chain disruptions to increased inflation concerns globally.

Looking a little closer to home, things seem equally uncertain. Politically, things seem precarious too and we are only likely to get more clarity after the ANC's Conference in December. We recently experienced the highest level of continuous loadshedding in our 15-year loadshedding history. And the South African Reserve Bank raised its benchmark repo rate to 6.25% in September 2022, the sixth consecutive hike since November 2021. This certainly causes discomfort and uncertainty.

I haven't even touched on the aftermath of Covid-19, corruption cases, riots last year, flooding devastation it really is overwhelming. We are all too familiar with the saying 'when the US sneezes we, in South Africa catch a cold'. There is no doubt that global events start a chain reaction which ultimately impacts us as South African investors. With all the negative news around us, creating huge uncertainty how is it even possible for the investment industry to approach the advice process?

Doing so successfully requires dedication from both clients and advisers, and a willingness to look beyond the short-term noise. The investment industry should approach the advice process by focusing on what we can control. Investors rarely focus on:

- Their goals/needs
- The plan to achieve each goal
- Their ability to take risk
- Time horizon

However, when we encourage clients to do so, the long-term outcomes achieved for clients tend to be far better. Performance will always be relevant and part of client discussions, but it should not be the focus point or an overriding consideration. However, investment performance causes emotions that can cause ill-considered decisions, and therefore advisers should focus on helping their clients managing their own behaviours and reactions to market events. Managing investor emotions can be achieved by explaining upfront and during reviews what the plan is to achieve each goal or a set of goals.

It is important to explain that asset allocation is about diversifying investments across different asset classes (e.g. equity, fixed interest, cash) to ensure you achieve the desired financial planning outcomes at a level of risk that the investor is comfortable with. Higher required returns lead to a more risky asset allocation, e.g. a higher allocation to equity. If the required level of risk is not acceptable, then the desired financial planning outcomes need to be reviewed to allow for adjustment of the asset allocation in a manner that reduces risk exposure. During tough market conditions, investors often feel that cash is a safe investment but that reminds me of the saying by John A. Shedd: "A ship in harbour is safe but that is not what ships are built for."

By contextualising the behaviour of various assets in terms of their long-term outcome, advisers can provide clients with the confidence to remain invested, regardless of market developments. This is especially important in the current environment, where we are experiencing extreme volatility in risk assets, while inflation is high and cash investments are unlikely to deliver the required long-term returns clients need to achieve their goals. Separating the short-term volatility from the long-term goal clearly in the client's mind, is key.

"In our view, financial advisers are the 'personal trainers' of the investment industry"

In addition, it is important to remind clients that while market volatility causes so much anxiety, it also creates opportunities for investors. While it is very difficult to block out the external 'noise', it is the only way to ensure that our judgement is not clouded and that decisions are being made with the best long-term outcomes in mind. This also means that regular reviews of the client's plan is absolutely essential to ensure they remain confident and on track to achieve their goals.

In our view, financial advisers are the "personal trainers" of the investment industry. While it can be tough for clients to stay the course, helping them remain disciplined and confidant despite the inevitable market turmoil, and focused on their long-term plan, is the best way to help ensure that they will achieve their goals.

INVESTING FOR AN UNCERTAIN JOURNEY

TOWARDS RETIREMENT

Today, South African savers are confronted by a host of challenges that previous generations did not have to think much about. Increasing longevity means that retirement savings will need to stretch further than ever before.

Yet, the financial turmoil that has followed the pandemic and, more recently Russia's invasion of Ukraine, have wreaked havoc on global markets. As such, the savings pool is shrinking further still. An indication of this can be found in the latest statistics from the Association of Savings and Investment for South Africa (ASISA), which show a 5.3% decline in the value of total assets held by life offices and collective investment schemes or unit trust sector over the first six months of 2022.

This reflects both a reduction in the number of risk policies bought, as well as an increase in the number of lapsed policies, compared to the same period the year before no doubt a reflection of the harsh economic environment. It is not surprising then, that uncertainty prevails, as people contend with extended inflation, an increased cost of living, little to no wage increases in over two years, and worse still, a consistently high unemployment rate.

"It is critical to manage client expectations without sugar coating their reality, with a view to instil confidence, as well as provide a practical path towards improving their material retirement outcomes."

However, as more South Africans move from savings mode towards survival, they are putting themselves at greater risk of being unable to retire in the years to come. This places advisors in an increasingly important position to ensure clients do not lose sight of their longer-term savings goals. By revisiting clients' financial plans, substantial care and consideration will be needed and possibly some brutal honesty.

But the facts remain the same: It is critical to manage client expectations without sugar coating their reality, with a view to instil confidence, as well as provide a practical path towards improving their material retirement outcomes. At GraySwan, we have identified three few key areas to zero-in on when creating or reviewing clients' retirement plans during times of uncertainty.

GET BETTER AT BUDGETING

While some salaried employees are forced into saving for retirement by way of their monthly pension fund contribution, many others who work for themselves or lack retirement benefits simply do not account for retirement savings in their monthly budget, even more so when times are tight. And in future, even those salaried pension and provident fund members may be tempted to withdraw some of their retirement savings prematurely, as per National Treasury's proposed two-pot retirement system, which will allow members to make annual lump sum withdrawal of up to one third of their total retirement savings. With this in mind, make sure you assess or reassess clients' current financial situations so that they understand clearly how much they need to put away each month in order to receive sufficient income to cover their essential expenses when they retire.

"With inflation looking to continue for the short to medium-term and a possible global recession on the cards, the only thing that is certain about the current investment climate is that there is more uncertainty on the way."

INVEST WISELY

With over 1,500 registered unit trusts in the South African investment market, it can be intimidating for investors to select the best products that target their income requirements for retirement. However, having reviewed your clients' financial plans, advisors will be in a better positions to select long-term investment options that fit their individual time horizons and risk profiles. As part of this process, be sure to educate them of relevant tax-free retirement savings vehicles that are available.

FOCUS ON FEES

While fees should always be an important consideration, in times of sluggish economic growth and high inflation, it is even more essential for investors to recognise the correlation between performance and fees, so as to prevent fees from eating into their returns. Do your homework and share fee structures and fund fact sheets with your clients to help give a transparent, simplified view of their options, so that they can make informed decisions based on both investment costs and profit potential.

With inflation looking to continue for the short to medium-term and a possible global recession on the cards, the only thing that is certain about the current investment climate is that there is more uncertainty on the way.

By reviewing clients' financial plans regularly, advisors should be able to impart greater confidence to stay invested for the long-term, as they journey towards their well-deserved retirement.leads to accurate pricing, smooth renewals and a hassle-free claims process for all parties.

NAVIGATING FINANCIAL PLANNING FOR THE FUTURE IS MULTI-DIMENSIONAL

KENNY RABSON

CEO of Discovery Invest

Amid a global longevity transition, local investors want more from the world. To keep abreast of the complexities of life and money, the local advice industry stands to benefit from global experience and technology. Two converging trends are disrupting the investment environment, necessitating a step-up in the solutions on offer to support the local advice industry.

Firstly, local investors want and have been afforded, greater access to the world. South Africans are increasingly looking to invest more globally and with the recent regulatory changes, pension funds and mutual funds are now able to allocate almost half – up to 45% in offshore assets. This is undoubtedly a positive development. Offshore investing not only provides access to themes and trends that are underrepresented locally but both the theory and evidence demonstrates that global diversification works to enhance expected returns for the same, or less, risk. This holds true regardless of where you call home.

" Collaborations that offer global expertise with local applicability can help advisers to focus on providing indispensable advice at the times where their clients need it the most. "

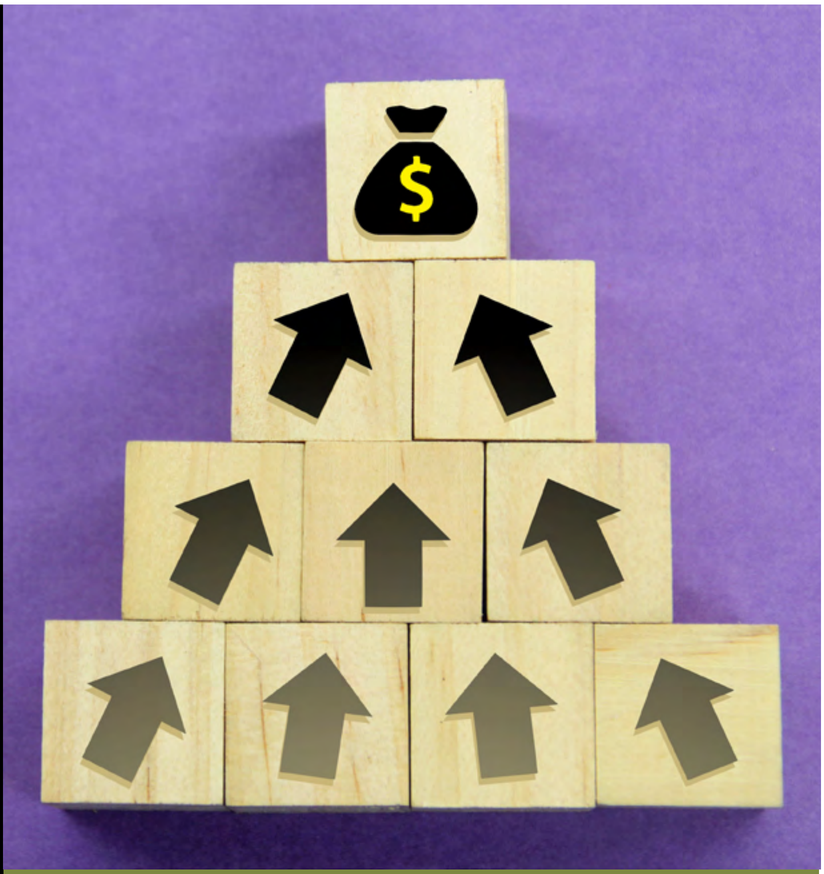
However, the global investment landscape has not only become more complex and sophisticated than ever before, but it is increasingly volatile and uncertain. Consider how vastly different the challenging market regime we are in today is from the one we were in just two years ago.

Current uncertainties such as the global fight against inflation and the, increasingly worrisome, war in Ukraine have made concerns such as the global impact of the COVID-19 pandemic seem a distant malaise. To keep abreast of these developments and take advantage of all the world has to offer, truly global research and understanding of the risks and opportunities that the global markets present is crucial.

Secondly, we need to recognise that returns are less than half of the picture when it comes to achieving an optimal retirement outcome for clients. We're all aware that the vast majority of South Africans are not able to afford retirement.

As populations across the world live longer, healthier lives than ever before this crisis is clearly not going to solve itself. Furthermore, investment behaviours such as how much we save and for how long can have a far greater impact on a replacement ratio at retirement than returns.

Navigating financial planning for the future is multi-dimensional. Technologies that analyse behavioural and demographics metrics not only inform how long savers are likely to live but how healthy they will be throughout their lives. As these dynamics inform how much money clients will need, technologies can play a vital role in supporting financial advisors in making recommendations to their clients.



Where it comes to strategic asset allocation, collaborations that offer global expertise with local applicability can help advisers to focus on providing indispensable advice at the times where their clients need it the most. To this end, Cogence, a discretionary fund manager (DFM) seeking to significantly enhance the business of wealth creation in South Africa, was launched through the collaboration between Discovery and BlackRock.

Uniquely, Cogence combines the model portfolio asset allocation advice of BlackRock, one of the world's leading asset managers, while leveraging the expertise of renowned local investment firm Riscura and personalised health insights from Discovery. We believe that innovation can help financial advisors and wealth professionals navigate these complexities to achieve an optimal outcome for clients.

WHY PARTNERING WITH A DFM, MAKES SENSE

Advisers are continuously partnering with discretionary fund managers (DFM) for a variety of reasons. The main reason cited by advisers being the lack of time.

South Africa has one of the most regulated investment industries, which means advisers are spending more time on compliance and less on doing what matters most giving advice and spending time with their clients.

By recognising that their value rests in evaluating clients' personal circumstances and determining their unique needs, advisers are increasingly partnering with investment experts to ensure that their clients' investment needs are consistently met. The partnership with a DFM not only saves the adviser an enormous amount of time, but also ensures that all the investment considerations are met.

At Equilibrium, our range of services includes strategic and tactical asset allocation, strategy optimisation, risk management, manager research, fund and mandate design, portfolio optimisation, as well as consolidated reporting.

We take care of everything to do with investments for our adviser partners. By using our consolidated monthly factsheets and quarterly investment reports advisers can speak with conviction about the performance and expected returns from the various portfolios. Essentially, we become an extension of their advice practice.

COVER

Advisers often cite the fact that we save them time as one of the key advantages of using a DFM. This is because we essentially become their personal investment team taking on all the investment functions, from constructing portfolios, getting them loaded on their preferred platforms, managing both, the rebalancing and compliance, as well as running the investment committees.

The industry has a huge shortage of Key Individuals (KIs), and this is one of the biggest challenges that the regulator is facing with the proposed licensing requirements under the Retail Distribution Review (RDR). To have full oversight, KIs cannot be "rented" out. They need to have sufficient time to ensure that they really can provide oversight. Therefore, the days of a KI on multiple licenses will soon be over.

At Equilibrium, we are delighted to be able to contribute to the industry as a whole by offering supervision for other Category II businesses who want to get their own licenses. Does this mean we are growing competitors?

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Yes, it does. But in our experience, these Category II advisers do not always have the full set of capabilities necessary to cater for their client needs. They benefit from being able to use their own Category II license to create certain efficiencies (for example moving from model portfolios to funds, or fund of funds, to specifically address their CGT issues) and other investment needs.

One of the most pleasing trends that we have seen, is how our clients have remained invested and have not de-risked despite the volatility in markets. But, still a concern is that advisers in general are using too many LISP platforms. Partnering with a DFM may simplify their practices to a certain extent, but unless they consolidate the number of platforms on which they load their solutions, they will battle to harness the benefits that come from partnerships. The two key issues being advisers' ability to access better platform pricing and to ensure that the platforms they use deliver on their client's objectives.

As an independent DFM, we are available on nine platforms Glacier, Allan Gray, Momentum Wealth, Ninety One, Stanlib, INN8, Old Mutual, PPS and AIMS. There are others on our watch list, and we would consider adding them provided they meet two main criteria: the first is our ability to execute effectively and the second is the demand for that platform from independent financial advisers.

But from an adviser perspective, it makes sense to partner with one or two platforms. Advisers are then in a position to negotiate better fees and limit the complexity that comes with different constructs and fee classes across platforms. We have recently seen another bout of consolidation across the adviser industry both locally and globally, especially in the UK. There is no doubt that advisers who use fewer platforms are getting higher multiples on the sale of their practices. I believe that using more than three platforms is a disadvantage. For advisers with smaller assets, it makes sense to limit to one or maximum of two platforms.

As an adviser it is important that you truly buy into the right partnership that is going to be sustainable. Make sure that your partners have the tools available to help you keep your clients invested, offer competitive pricing and the level of reporting that meets your needs.

SHORT TERM INSURANCE

"Compounding risks have forced companies to partner with insurers."

– CHRISTOPHER APPANAH, HEAD OF CLAIMS – LIABILITIES, BRYTE

SA'S SHIFTING INSURANCE LANDSCAPE: THE ONLY CONSTANT IS CHANGE

In a short period, the local short-term insurance sector has had to continually pivot and adapt to various challenges - from the recent impact of the pandemic to several regulatory and technology-led changes which continue to shape the landscape.

THABO MODISE

Head of Claims at Western National Insurance

Fuelling this, the industry has also had to continually address the increase in weather-related catastrophic events and related claims. The increase in weather-related catastrophic (CAT) events and claims, as well as the scarcity of experienced loss adjustors, continues to be a significant hurdle for the insurance sector at large to overcome.

WEATHER-RELATED CLAIMS SET TO INCREASE

Earlier in 2022, the South African Reserve Bank noted in its African Economic Outlook 2022 that climate change had a high probability to escalate the frequency and severity of physical climate-related risks. This rising frequency of climate-change risks is likely to further translate to a spike in claims. A primary example of the multiple industry challenges faced when it comes to weather-related claims is the recent KZN floods, which severely impacted countless communities and business within the province.

Access to various parts of the province, as well as the availability of building materials where immediate repairs were needed, were difficult to mobilise, as the infrastructure - particularly roads - were severely damaged. The damage was so extreme in certain locations that some insurers went as far as waiving the applicable excesses as a means of additional relief for policyholders.

A key consideration is the need for a specialist weather-related disaster pool as mentioned (by the World Bank, Financial Protection of the State Against Natural Disasters—A Primer", 2010) provides cover for civil commotion, public disorder, strikes and riots. This is something the industry reinsurers need to look at in the future. Although it could increase premiums for consumers - as any disaster affects the entire industry from a pricing perspective – it will enable the industry to be better prepared in dealing with impending natural disasters.

SKILLS SHORTAGE: GROWING RISK FOR THE INDUSTRY

Insurance assessors perform a very important role in the processing of insurance claims. Unfortunately, the industry is losing this specialised knowledge as the distribution of knowledge and succession models are not robust enough in their current state. Engineers and assessors are working post retirement because of the lack of market skills. There is now a significantly increased risk of assessment(s) not being administered by adequately trained assessors which, in turn, leads to more risk.

According to a "status of skills in the industry" report by the Insurance Sector Education and Training Authority (INSETA) - which facilitated interviews with Human Resources Directors from leading industry brokers, short-term insurers and underwriting managers and reinsurers, in-house training, and, in particular mentoring, are seen as key approaches to up-skilling staff.

Most respondents in the report spoke about the crucial need for the transference of skills from older experienced employees to the newer generation. The retirement of insurance experts has left a huge gap in this regard. There is a high unemployment rate in the country, and therein lies an opportunity for the government to partner with experienced insurance professionals to offer skills development to previously disadvantaged areas.

"The retirement of insurance experts has left a huge gap in this regard."

The silver lining lies in the fact that the insurance industry is trying to address the upskilling issues through various programmes offered annually by the Insurance Institute of South Africa (IISA), but there is always more than can be done.

ADAPTATION AND INNOVATION

Market disturbances like recessions, lockdowns and, currently, wars, are contributing factors which have impacted the insurance industry at large across both local and global markets. The ongoing Russia-Ukraine war showcases how cover needs to be accordingly adapted and new policies formed due to unforeseen circumstances.

For example, the shortage of key components such as semiconductors which were imported from the Ukraine has brought the product line of new vehicles to a standstill. The unintended consequences are the lack of new vehicle production and an increase on car hire costs for customers.

In an ever-changing landscape, the role of digital innovation within the insurance sector will continue to play a big part in making sure that efficiencies are effectively driven. Some of the innovative changes need to be adopted are the submission of claims via mobile/app, 24/7/365 online support, auto approvals of fast-tracked claims, and integration and user-friendly digital interface.

We need to ensure we are also striking the balance between needing to know when to provide the efficiency of digitisation versus the comfort of human engagement.

THE UNTAPPED COMMUNITY INSURANCE MARKET

Tony: Community insurance opportunities can have multiple benefits for brokers looking for new business. Please give us an overview from a King Price perspective.

Ria: Ria: The data speaks for itself. If we look at the stats from 2005 to 2020, sectional title ownership increased from 13%, on all property sells, up to a whopping 29%. And we foresee it increasing even more over the next five years. There's an added benefit of a broker being able to cross-sell other products to the residents if they have a close relationship with the body corporate and managing agent.

Tony: The risks faced by bodies corporate will obviously vary based on where they are. There must be some general risks that need to be covered no matter the location. Can you mention some of these risks and the cover you offer?

Ria: The community insurance industry is regulated by various acts. These acts list specific minimum requirements that the body corporate, or the board of trustees that represents the body corporate, needs to meet to ensure they comply.

It includes the typical things that we're used to in insurance, like storms, fires, water escape, the impact of vehicles and so on. But, it's not only about making sure that the body corporate insures the physical structures, units or sections, it's also about ensuring they're covered for legal liability.

Fidelity cover was the biggest change when these acts were amended in 2016. In a nutshell, fidelity cover is where the body corporate is required to have sectional title insurance cover for fraud and dishonesty regarding the body corporate's money. One of the legal requirements is that the managing agent needs to be included in the cover, which wasn't a requirement before the amendment in 2016.

The change flows from many instances where managing agents have stolen a body corporate's trust money. If that happens, the body corporate doesn't have the money to continue with the day-to-day admin responsibilities of paying what needs to be paid like electricity, sewage, waste removal, insurance, and maintenance.

Tony: Where does damage to property fit into personal insurance? Does the body corporate's insurance replace buildings insurance if someone lives in a sectional title scheme?

Ria: Ria: Yes. When somebody asks me what's insured under community insurance, I usually explain it like this: Take the roof off a unit, turn it upside down and shake it.

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Everything that stays intact is insured by the body corporate's community insurance, and everything that falls out of the unit is for your personal insurance. So, everything that you won't take with you when you move out is insured under community insurance.

Tony: It gives a lot of opportunity then for brokers. Where do brokers fit into community insurance?

Ria: It gives a lot of opportunity then for brokers. Where do brokers fit into community insurance? Besides the regulations, you're also sitting with a lot of maintenance-related issues. King Price adds tremendous value in this area, with our award-winning platform, called, Felix, which unites everyone in the maintenance and claim value chain. Felix automates and speeds claims up, and this means that brokers don't necessarily have to be involved with small day-to-day claims.

Brokers also need to understand the politics within sectional titles and how the acts work, because our policies need to comply with these acts. There is a key role for brokers to play here, especially for brokers that specialise in sectional title insurance, which is crucial because there are a lot of regulations and requirements in sectional titles, and it's not the easiest insurance portfolio to understand. There's a saying in the industry 'one castle with many kings.' That's how we describe sectional titles, because imagine if you have a piece of land where you have 300 units or sections making up the body corporate. There are a lot of opinions and suggestions at play.

If the broker doesn't understand the specific requirements outlined by the acts, it's going to be difficult for them to explain it to a body corporate. They also have to make sure that their client's policy addresses all their client's needs. We often find that bodies corporate are covered by a commercial policy and not a custom-made or specialised community insurance policy. There are certain covers and risks that need to be insured under community insurance. For example, when average is applicable under a commercial policy, average applies to the total sum insured. Under a sectional title policy, the average only applies to the affected unit or common property.

LIABILITY INSURANCE SEGMENT SHOULD

BE A PRIORITY FOR BROKERS

Traditionally, liability insurance policies featured relatively low down on the list of cover in South Africa, with claims also being fairly low in terms of value and frequency.

However, this is rapidly changing, with the frequency and value of liability claims climbing and insurers increasingly focusing on this insurance segment. Liability insurance is designed to offer specific protection against third party insurance claims. Payment in a liability claim is not typically made to the insured, but rather to someone suffering loss who is not a party to the insurance contract.

Over the past few years, several major South African corporates, organisations and government entities have been involved in well-publicised loss incidents and events including product recalls, faulty workmanship and infrastructure failure, among others.

A few high-profile examples that come to mind include the collapse of the M1 pedestrian bridge while under construction in 2015, the outbreak of listeriosis in the processed meat industry in 2017, and most recently the Jagersfontein tailings dam collapse in September. High-profile liability cases such as these have helped to raise some awareness among businesses, prompting a gradual change in the approach to liability risk management. However, there is still significant room for improvement.

"Liability claims can have a profound impact on business operations, professional service providers and the personal lives of people."

A study by Allianz Global Corporate & Speciality released earlier this year found that fires or explosions resulted in the most expensive losses for local businesses during the past five years. These account for 65% value of all claims, while claims related to faulty workmanship or maintenance generated the second-biggest cause of loss, at 20%, in South Africa.

The growth in frequency and quantum of liability claims supports the view that consumers are becoming more aware of their rights and more informed about the legal recourse that is available to them. Also, South Africans are generally becoming more clued up on amounts they could be awarded should they win a liability case in court. According to Best's Market Segment Report, several global and local drivers have also placed additional pressure on insurance capacity in the Directors' and Officers' (D&O) liability insurance segment.

Among these factors is social inflation, where the costs of claims increase because of societal trends such as higher awards against corporate policyholders, increased appetite for litigation, pressure for liberal treatment of claims, changing perceptions of social responsibility, as well as populism. Other trends that have an impact on the D&O insurance market are an increase in class action suits and rapidly evolving cybersecurity threats.

These trends should serve as a warning that even the best-intentioned companies, with top-notch quality control standards in their manufacturing and other processes, are not immune to third-party liability claims. Regardless of how good their processes might be and how strictly they are supervised, accidents and mistakes can still occur.

Liability claims can have a profound impact on business operations, professional service providers and the personal lives of people. Thus, while liability cover is crucial for businesses where Liability claims can have a profound impact on business operations, professional service providers and the personal lives of people.

Thus, while liability cover is crucial for businesses where the financial, physical, and legal interests of the public are concerned. Individuals also recognize that their actions and behaviours could result in liability claims bearing huge financial consequences.

"Brokers should consider that a key strategy for enhancing the value proposition for both the insurer and the client, is to improve their ability to identify and settle valid claims before they result in litigation."

The increasing pressure on the liability insurance segment has attracted the focus of insurance companies and should also become a priority area for brokers to determine how they should approach liability insurance and assume their responsibility to their clients.

It is important for brokers to discuss liability insurance cover with their clients and make sure that the client can demonstrate how they actively manage their liability risks through factors such as contracts and various processes to maintain adequate liability coverage.

Brokers should consider that a key strategy for enhancing the value proposition for both the insurer and the client, is to improve their ability to identify and settle valid claims before they result in litigation. This will significantly reduce the cost of having to defend them.

Keep in mind that as the litigation trends among the public continue to shift and evolve, a more conservative approach to exposure and risk management will be crucial to ensure the sustainability of the liability insurance market going forward.

PROTECT OUR MARINE ENVIRONMENT

MAKE SMALL BUT SUSTAINABLE DECISIONS

Why are marine ecosystems important?

Oceans cover 71 % of the Earth's surface and are critical to the functioning of our planet. Marine ecosystems include a diverse range of habitats including rocky shores, seagrass beds, mangroves, kelp forests and the deep sea. These ecosystems provide an extensive number of ecosystem services, including carbon capture, nutrient cycling and renewable energy, that are critical tools in combatting climate change. It is also home to an incredible amount of biodiversity that is essential in maintaining resilient ecosystems that are able to adapt to environmental change, with over 12,000 species in South African waters alone. In South Africa, the marine environment provides a large number of jobs in industries such as fishing, aquaculture and nature-based tourism and plays a critical role in feeding a growing population. Marine ecosystems also hold great economic value, with coastal goods and services contributing a third to South Africa's GDP, making it essential to sustainably manage marine resources.

Threats to marine ecosystems

Perhaps the greatest and most immediate threat to marine ecosystems in South Africa is climate change. Our oceans absorb much of the excess heat and carbon dioxide in the atmosphere which has resulted in ocean warming and acidification. Even the smallest changes to temperature can cause significant changes to the physiology, reproduction and distribution of marine wildlife, altering the way species interact with each other and driving loss of biodiversity and ecosystem functioning. Ocean acidification also has significant consequences, particularly for calcifying species that include many commercially important shellfish, hindering their ability to build hard shells and altering respiration and feeding rates.

Marine ecosystems, particularly coastal systems, are also at risk from land-based activities that result in marine pollution. For example, known as eutrophication, excess nutrients derived from fertilizers used in intensive land farming enter the marine environment through run-off, resulting in blooms of fast-growing algae that reduce light and oxygen availability. Urban development can also lead to excess sediment deposition in rivers and streams that then enters the ocean through run-off, decreasing water clarity and light availability. Coastal and urban development such as marinas or holiday resorts further results in significant habitat loss. Over 80% of marine plastic pollution originates from land-based sources and South Africa is ranked 11th on the list of highest contributors to plastic pollution in the ocean, recycling only 16 % of its plastic. Around 10 % of discarded plastic (~ 8 million metric tons a year) ends up in the ocean through our waterways. Marine wildlife is routinely entangled in plastics such as abandoned fishing nets and often swallow smaller items such as plastic bags, cotton buds and balloons.

South Africa's fishing industry is worth ~ R6 billion a year but is threatened by overfishing and illegal fishing, including poaching. Overfishing drives species loss and potentially extinction that can cascade through marine food webs given the reliance of many coastal birds and mammals on fish as prey. Consequences of overfishing are not limited to ecosystem effects, however, as many local communities rely on subsistence fishing and fishing as a source of income.

What is the solution?

Although it can be overwhelming to read the many threats to our marine ecosystems, everyone can do their part in the fight to preserve our oceans. For example, reducing your carbon footprint by choosing to walk or cycle, reducing plastic consumption, recycling, reducing food waste and water consumption and buying sustainably sourced and local products are all part of the solution. Choosing to stay in environmentally friendly accommodation on your beach retreats and choosing to eat only green-listed fish are small decisions that have large impacts. By making small changes every day we can make a huge difference.

Dr. Abby Gilson,
Coastal Research Group, Rhodes University

Dr. Abby Gilson is a marine ecologist working in the Coastal Research Group at Rhodes University. She is passionate about understanding the effects of climate change on biodiversity and ecosystem functioning, ensuring the sustainable use of marine resources. She specializes in rocky intertidal ecosystems, with a particular focus on macroalgal communities. Abby aims to understand how climate change stressors such as ocean warming and species range shifts affect macroalgae-herbivore interactions and the knock-on effects these changes have to ecosystem functioning.

WORK TOGETHER FOR A SUSTAINABLE FUTURE

NATIONAL MARINE MONTH

The objective of South Africa's National Marine Month, which takes place in October, is to raise awareness of the country's marine and coastal environments as well as the benefits that our oceans contribute to our nation.

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GROWING LIABILITIES REQUIRE EFFECTIVE RISK MANAGEMENT

Recent global changes have exposed businesses to risks that affect all facets of their operations.

This has compelled companies to identify effective partnerships with insurers that can mitigate some of that risk, provide risk management solutions, and valuable advice. This is intended to protect the business against the potential negative financial consequences of the insured risk.

Liability claims against a business have often been overlooked and not adequately catered for in the business' insurance portfolios. As a result, companies are increasingly becoming vulnerable to liability risks that threaten their continued operation. For instance, the potential liability risk a manufacturer may face as a result of product defects that cause harm to consumers, which may result in a barrage of liability claims against the manufacturer. Such claims may result in extreme financial stress and a possible shutdown of operations.

The insurance industry expects global liability claims to grow in frequency and impact annually. This growth in liability claims may be attributed to factors such as industrialisation, developing systems, digitalisation, consumer enlightenment and financial impacts due to macroeconomic volatility. The propensity of third-party claimants to pursue liability claims through the courts has also increased.

In light of this, it is vitally important that businesses ensure that their risk mitigation strategies include measures to effectively damper the impact of liability claims on their balance sheets and operational longevity.

PRODUCT RISKS AND RECALLS, DEFECTIVE WORKMANSHIP, SLIP AND TRIPS

The expectation of producing quality products cost-effectively continues to be threatened by global factors that heighten risks for businesses. Global manufacturing, supply chain complexities, and challenges to quality controls increase the likelihood of more large-scale recalls.

A number of local businesses have encountered tremendous product recall challenges, with one of the country's biggest packaged goods companies reporting over R600 million in losses due to its recall of canned vegetable products. A similar situation was experienced by a large, processed food manufacturer which resulted in consumer illness and deaths.

The automotive industry has been synonymous with encountering cases of recalls, which are triggered by components failing, resulting in parts defects. While most of these recalls are done proactively, there have been instances where recalls have been due to customer injury or death.Consumer legislation imposes strict liability on businesses manufacturing products for the man on the street, where such products are defective and cause harm.

The risk of liability emanating from faulty products and recall costs can seriously ruin a business' financial standing and brand reputation. The social impact, in some instances, will follow a financially strong company for years to come if such risks are not adequately mitigated and factored into the insurance arrangements of a company.

ROLE OF THE INTERMEDIARY

There is no doubt that liability risks have climbed up to the top of the list regarding insurance considerations. Brokers should guide their clients carefully to understand where these liability risks may come from, considering the environment that their clients operate in.

Adequate limits are imperative to ensure the client is not left with a large uninsured portion of any claim. Clients should also be educated about their cover and what it can protect them from. Liability indemnity policies are subject to exclusions and conditions that are precedent to cover, so these terms need to be considered in the business risk management framework. Brokers should work in conjunction with insurers to understand liability insurance products and responsibly advise clients on the terms of such cover.

Insurers want to partner with brokers to ensure clients can navigate around possible risks. Collaboration with brokers and clients assists in creating solutions best suited for their businesses. Understanding in-depth and costly evolving risks creates an appreciation for their role in business survival.

THE RISING RISK OF CYBER BUSINESS INTERRUPTION

As the frequency of ransomware attacks increases, organisations must consider that it's not just data that hackers are targeting. There is an increasing risk of business interruption (BI). This growing digital peril has presented new challenges to business continuity and security.

"The landscape has changed the cyber risk," says Bianca McKenzie, head of claims preparation, advocacy and valuations U.K. at Aon. "With ransomware becoming commonplace, we've gone from it being oriented around liability to a focus on disruption. That is the cyber criminals' new goal: to disrupt businesses rather than just to extract data."

While organisations are used to considering business interruptions related to circumstances like property damage, the threats of cyber–BI can have much wider ramifications. For a business with operations in multiple sites even multiple countries the BI impact of a ransomware attack can reach beyond a single property and disrupt operations worldwide. "Before ransomware like that was unfathomable," says McKenzie. "You couldn't imagine that operations could be disrupted to an extent that it would financially impact clients at a global level."

IN DEPTH

According to Aon's 2021 Cyber Security Risk Report, ransomware attacks have become more complex and business interruption increasingly likely. Ransomware attacks exploded in number and frequency during 2020. As the number of attacks grew, so did their cost: the Aon report projected business costs associated with ransomware attacks to total $20 billion in 2021. To mitigate financial loss, organisations should prepare to address cyber-BI before a disruption occurs.

PREPARING FOR CYBER-BI

For businesses, the task of preparing for cyber-BI risk includes several imperatives:

- Improving information technology security to prevent disruptive attacks
- Developing a sound business continuity plan to help respond to and recover from an attack
- Accurately assessing the cyber business interruption risk to transfer risk effectively to cyber insurance markets or other
- Developing a plan for accurately documenting BI-related loss and financial impact to efficiently file an accurate claim with cyber insurers

"In principle, it's really not that different from a property BI claim to a cyber-BI claim, except for the fact that with cyber-BI you might not know which policy applies, and you want to have the team lined up in advance," says Jill Dalton, managing director in Aon's U.S. Property Risk Consulting Group. "Make sure you know who's going to be doing the cyber preparation. Get that team lined up in advance, because the biggest issue in the cyber claim is tackling it right away."

UNDERSTANDING THE RISK

To properly address a cyber-BI threat including maximising the ability to transfer risks businesses must fully understand their exposures. With insurers demanding more detailed information from prospective cyber insurance buyers, businesses should invest in analysing their exposures to determine what a probable cyber-BI loss might look like. "Now is the time to really tighten up your understanding of what your cyber-BI risk really is," says McKenzie. "Given the insurance market and the challenges that some are face in terms of actually transferring their cyber risk, it's important to invest in understanding what a more probable cyber-BI loss would look like when it comes to renewing a cyber policy or purchasing a cyber policy for the first time."

CYBER-BI THREATS ALONG THE SUPPLY CHAIN

Businesses also must consider the possibility that their supply chains could also be interrupted by cyber-BI. "It's a huge issue, because if a supplier has a cyber-attack that prevents them from getting you their product, then you're experiencing a contingent business interruption loss as a result of the cyber event," says Dalton. "It's important for companies to do good due diligence in selecting and managing suppliers." Businesses exposed to cyber-BI risks in their supply chains should also consider using multiple suppliers and develop backup plans to address potential disruptions.

ASSESSING THE LOSS

Calculating the losses incurred in a cyber business interruption can be challenging particularly for a multinational business with operations in different locations possibly facing varied impacts. "There needs to be an appreciation for that complexity and due care in gathering the supporting data," says McKenzie. "Quantifying the impact, close management of the claim and working with the insurer and their representatives to recover insured losses is a many-faceted process. It requires expert time and resources."

The challenge is heightened by the fact that the process of determining the losses takes place while the company is experiencing a cyber–BI and is in "crisis mode." "Businesses should try to be ahead of the curve and be as prepared as possible before an event," McKenzie says. "They should understand what sort of information they'll need to capture and how they'll collect it."

THE CYBER-BI THREAT IS REAL, PREPARATION IS ESSENTIAL

According to Cyber Solutions Client Manager at Aon South Africa, Zamani Ngidi, managing cyber risk within the realms of South Africa's legislative framework proves to be a challenge for many organisations. "Business is faced with requirements to comply with various policies which speak to I.T. governance, cybercrime and data privacy, while data on the business impact of the risk in the local context is not readily available," says Zamani.

"While spend on cybersecurity increases yearly, the return on investment only really comes to the fore when a cyber event occurs that has the potential for major business disruptions. Decodifying the risk as it pertains to each individual business is a complex journey for which Aon has developed a number of solutions to meet this evolving client need, such as the Cyber Impact Analysis, Cyber Threat Simulation/Tabletop and BCM for Cyber Risk. Many of these tools are able to assist South African companies that may not have the requisite internal resources and data to conduct such exercises with any reasonable amount of certainty," Zamani explains.

The threat of cyber-attacks continues to grow and, with it, the risk of cyber business interruptions. By analysing exposures, taking steps to address risk and establishing a strategy for assembling a claim quickly and accurately, businesses can better prepare themselves for the threat of cyber business interruption.

A WORKPLACE INJURY MANAGEMENT SERVICE IS ESSENTIAL

There are some jobs that are naturally more dangerous than others. But whether you're a construction worker or an accountant all workplaces have hazards that can pose a threat to employee safety.

There are thousands of workers in South Africa who are injured on the job each year. Some injuries are minor, some more severe, but many result in employees taking time off work and most require a level of administration and support from an employer. Companies count the cost of occupational injuries through lost productivity and business interruption but they may not realise how time-consuming individual case management can be or the challenges of administrative follow-ups with authorities and COID.

COID is the Compensation for Occupational Injuries and Diseases Act that was established to compensate employees or their families, where injury, disease or death occurs on company time. All businesses in South Africa are legally required to register with the Act.

It is the responsibility of each business owner to ensure that their company is registered and compliant, in order to make a claim for an injured employee. In addition, they need in-depth knowledge of COID and must understand the logistical processes, legal requirements and necessary procedures to follow in the event of a workplace incident.

Even when a business has been responsible and has registered new employees with COID, if done incorrectly it can lead to non-compliance. Not only does this result in employees not being covered when a workplace incident occurs, but the business will also not be eligible for a Letter of Good Standing and this can impact their ability to apply for contracts or tenders.

Non-compliance is one issue but even if all COID obligations are met, it's easy to feel overwhelmed by the legalities, the various roles and responsibilities, and the burden of correctly completing and submitting all required forms within the correct timeframe after a workplace incident. On top of that, the wellbeing of the injured employee should still remain a priority. While being COID compliant and reducing workplace injuries ought to be at the top of an employer's list, by their very nature, accidents will continue to happen. This is why it's key to plan ahead and also implement an effective workplace injury management service.

Through workplace injury management, all incidents are handled on behalf of the company. This includes time-consuming legal and administration requirements, in addition to full logistical case management for the injured worker. Not only does this minimise business interruption but the individual support for injured staff members enables them to recover faster and return to work sooner.

For the wellbeing of staff members and for the continuity of business operations, it's key that employers meet their COID obligations and implement injury management to ensure that workers receive the best medical care possible when they need it most.

HEALTHCARE FUNDING

"As things proceed with The NHI, many medical aids are in support. The NHI is a healthcare financing system that aims to pool funds to provide universal access to quality, affordable primary healthcare services for all."

- ALAN FRITZ, EXECUTIVE: STRATEGY & PLANNING AT MEDSHIELD MEDICAL SCHEME

LEARNING FROM THE MEDICAL MALPRACTICE CRISIS: AVOIDING THE BOILED FROG

A recent article by Larisse Prinsen published in The Conversation provided a wide-ranging perspective on the causes behind increasing cases of medical malpractice.

According to Prinsen, medical malpractice claims have been on the rise since 2014 – in the last financial year alone, more than R6.5 billion (over US$390 million) was raised in medico-legal claims. This article got me thinking about the ways in which risk management in South Africa's corporates could benefit from lessons in the crisis from the medical malpractice sector.

We know that insurance premiums/membership fees in SA for Obstetricians (incl Gynae) increased from about R100 000 per annum in 2010 to R1,2 million in 2020. This information is based on the Losses Occurring Product supplied by the Medical Protection Society – an unregistered UK insurance mutual. Fees for most other types of specialist medical practitioners also increased by multiples of 3 to 5 times over this 10-year period.

When premiums became unaffordable – to the extent of driving specialists out of business– urgent solutions were sought to address this critical need. The situation can be compared to a corporation that struggles to obtain reasonable insurance cover once underwriters either refuse extensions on outstanding risk improvement requirements or retract capacity following substantial claims.

This information begs the question: Why do we not prepare better for emerging risks? Are we too optimistic about our "maak 'n plan" capabilities?

Why do we think that unexpected losses are "Black Swans" when in reality many "Black Swan" events provide strong indications of their pending occurrence prior to the event?

One of the key errors we're making here is mistaking risk for consequence.

Let me explain further. Fire is not a risk but a consequence. It is the consequence of an uncontrolled heat source in an area of fuel to propagate a fire. If we're relating this to medical malpractice, doctors experienced the "risk" of unaffordable premiums, which was actually a consequence of significant risk drivers in the medical malpractice sector that had been in place for 10-20 years. These include:

- Adversarial, litigious, high-cost ways of resolving allegations of medical malpractice
- These costs were funded by insurers with deep pockets, defending the actions of litigants with high fee expectations
- The contingency legal fee model introduced in SA
- Inadequate data in the SA context, undermining the analysis of the underlying causes of adverse medical events, the appropriate costs of remedies and tracking outcomes to mitigate future risks
- Poorly argued and defended medical malpractice cases, particularly in the state health sector, creating many precedents with high settlements
- Fraudulent claims facilitated by both medical staff and litigants

These risk drivers are similar to many other sectors in the non-life insurance industry. The good news is that applying thorough analysis and risk mitigation to these identified risk drivers had immediate and material benefits, nearly halving premiums.

The medical malpractice situation also illustrates two other important risk concepts – risk velocity and herd thinking.

If premiums double off a base of R100 000 for 8 years, the result is R12,8M. The first few years of increases are bearable but soon become a crisis. The forecast cost factors that drive premiums are shared across the market and are accelerated so that the underwriters can be confident that today's premium will be sufficient for tomorrow's claims (also called inflationary effects).

Finally, the current state of the medical malpractice industry brings another analogy to add to the list – that of the boiled frog. Had doctors and corporates in today's market been told that premiums would be 200% higher in 2 years, an immediate alternative would have been required. It was only when premiums were 500% higher and the metaphorical water was boiling, that our frogs (doctors) responded to the cumulative effects, at which stage some of their practices were not viable.

Ultimately good risk management comes down to the same formula, no matter which industry we're operating in. Risk analysis and management should include a thorough scenario analysis of the risk drivers applicable to the key exposures – whether these come from perils, supply chains, inflation, weather and the like.

Now is the time to get ahead of your risk registers and make a meaningful difference to your risk exposures in future.

TELEMEDICINE: A MODERN MARVEL OR AN INDEMNITY HEADACHE?

Telemedicine allowed medical professionals to interact during lockdown with patients regardless of the physical limitations caused by the COVID-19 pandemic. But is this a future solution for medical care or rather a massive new indemnity headache for health professionals?

The COVID-19 pandemic changed the world irrevocably and it had a significant effect on the medical industry. It accelerated a worldwide shift to telemedicine and this will certainly lead to insurance and regulatory change. The emergency caused the Health Professions Council of South Africa (HPCSA) to relax the previous strict regulations regarding telemedicine and allow virtual consultations. It also changed the name "telemedicine" to that of "telehealth" to allow other health specialists, such as psychologists, to practice virtually.

The HPCSA has subsequently been urged by many medical aids to bring about permanent regulatory acceptance and has confirmed that the regulations will be reconsidered after the pandemic ends.

Be as it may, telemedicine is here to stay and is increasingly gaining traction. Patients have gotten used to the ease of a virtual consultation in the comfort of their own homes and doctors can consult more patients.

Although doctors are now allowed to consult with patients outside South Africa, insurers are generally not indemnifying Healthcare Professionals (HCPs) consulting outside the borders of South Africa.

Will telemedicine increase insurance premium rates? It remains to be seen exactly what the situation is after the pandemic, but a gut response is that if more patients are seen, there may be more potential liability. Experienced doctors have expressed concerns that the chances of a misdiagnosis or failure to identify important signs are much higher as there is no face-to-face contact and physical examination.

Most patients are notoriously incorrect in their descriptions of symptoms and signs and often have pre-conceived diagnoses which may influence their description of the complaint. Many doctors have expressed concern that telehealth will weaken the doctor-patient relationship and lead to more long-term dissatisfaction. This may ultimately lead to more complaints and claims.

Medical practitioners, especially those doing elective surgery, took a massive knock during the pandemic. Patient numbers were down between 60% and 90%. Generally, there were fewer complaints and claims. Most insurers decreased their premiums or gave premium holidays to policyholders. However, now with the patient numbers rising and elective surgery fully scheduled, it is expected that complaints and claims will increase significantly.

Insurance premium rate increases have slowed but are expected to return to more normal increase patterns as the pandemic becomes part of our lives. It is expected that most practices will be busier than ever post-pandemic. Unfortunately, there is no immediate end in sight for opportunistic claims, the increase in pay-outs and rising legal costs.

However, change may, in the long term, be on its way to help the medical profession and indemnity providers out of the existing chaos. The South African Law Reform Commission (SALRC) was requested by Dr Aaron Motsoaledi – at that stage Minister of Health – to investigate medical-legal claims in South Africa.

At the end of 2021, the commission published an in-depth discussion paper.

Data was cited indicating that approximately 50% of medical negligence claims are of the cerebral palsy type (of which a small fraction result truly from a birth injury and obstetrician negligence). The report also indicates that in South Africa no legislation exists to specifically address medical-legal claims.

The issues identified and the interventions proposed by the SALRC are praiseworthy, sensible and the body should be highly commended. However, as stated in the paper: "The best legislation in the world will not make any difference unless it is applied, implemented, complied with and monitored."

Economic factors are increasing the risk of litigation. The cost of appropriate care continues to rise and is more technical, specialised and depersonalised.
With the advent of managed healthcare more than 20 years ago, healthcare funders have increasingly vetoed clinicians' decisions, making it impossible to provide the appropriate care. In these situations, a number of adverse results may occur and may lead to complaints or claims. This situation is unlikely to improve. HCPs must consider very carefully before entering into contracts with funders.

The healthcare and professional indemnity systems are both undergoing rapid change. Unfortunately, although there are opportunities for better care, economic factors may increase risks.

The possibility of legislative change exists but finally, the importance of the patient-doctor relationship and the duty of care, can never be over-emphasised.

THE RIGHT COMBINATION OF COVERAGE IS KEY

Many people are facing difficulties at the moment, with decreased take home pay and increased everyday expenses.

Medical expenses too have gone up and will continue to rise, but the one thing that Covid taught us was the importance of having private healthcare in place. So, while many people have a knee-jerk reaction and look to cut grudge expenses like medical aid and insurance, this is not a sound move from a financial stability perspective. Financial advisors have never had a more important role to play in ensuring that their clients can balance coverage with costs to protect their long-term health and financial well-being.

The consequences could be severe

Especially for young, healthy people, it can be tempting to reduce or even cancel medical aid and gap cover products as an unnecessary expense in the current economic climate. However, while this may save money upfront, from a long-term view it could end up costing even more. Without the right coverage in place, for example, with a reduced medical scheme plan, people will end up paying more out of pocket when accidents or illness occur.

Lower premiums and lower medical plans typically come with increased co-payments and reduced cover, which means increased shortfalls when healthcare is needed. If clients do not then also have appropriate gap cover in place, these shortfalls and co-payments will become out of pocket expenses that can be financially crippling.

If clients stop their medical aid altogether, and then decide to re-join at a later stage, there are also late joiner penalties that may apply if they are over the age of 35. These involve an increased premium of between 5 and 75% every month, so it is essential that clients are made aware of this upfront.

The right advice is essential

It is a harsh reality that many people are left with no choice but to downgrade their medical aid, but this is where financial advisors have a critical role to play. By recommending the right medical scheme cover coupled with an appropriate gap cover product, they can help their clients make the best financial and healthcare decisions.

While gap cover is often considered in light of chronic illness and cancer, it is an affordable solution for many more scenarios. It protects against medical expense shortfalls for in-hospital treatment and co-payments, and certain products have value-added offerings like a casualty benefit that can protect against out-of-pocket expenses for out of hospital treatment.

Financial advisors need to help their clients make informed decisions and map out the correct basket of products to meet their needs, because the consequences of getting this wrong can be life-altering.

Gap cover is an affordable way of augmenting cover from medical schemes and can save clients from financial difficulties while allowing them to access the best quality healthcare with peace of mind that they will be able to afford the care they need.

WHAT DOES THE NHI HOLD FOR MEDICAL SCHEMES?

ALAN FRITZ

Executive: Strategy & Planning at Medshield Medical Scheme

The South African government started discussing the NHI (National Health Insurance) in 2003. After several poor attempts at starting, most people thought that a fully funded first-world healthcare system could never become a reality. Furthermore, the role of medical schemes was not clear since no policy direction exists in this regard from the Department of Health. Many medical schemes have since come out supporting the NHI, realising there is room for collaboration and more fundamental co-existence of the two healthcare systems.

The NHI is a healthcare financing system that aims to pool funds to provide universal access to quality, affordable primary healthcare services for all South Africans and long-term residents. Under Section 27 of the Constitution, the purpose of NHI is to:

- achieve universal access to quality healthcare services in South Africa;
- establish a National Health Insurance Fund (NHIF) and define its powers, functions, and governance
- structures; and
- provide a framework for the fund to strategically purchase healthcare services on users' behalf.

Attitudes, opinions and research

PWC recently launched a study on NHI, where 50% of the survey participants believe that NHI will guarantee or partially guarantee equal access to healthcare, whilst 100% of respondents support the intent of NHI and the model of universal health coverage. Most people felt they needed more clarity on the scope and range of benefits, governance structures, the risk of corruption, healthcare worker capacity, and the impact on the private sector.

Others expressed an interest in learning more about the NHI implementation plan, governance, and funding. According to participant responses, access to funding, effective management, meaningful public-private partnerships (PPPs), transparency and communication between key players will be critical success factors for the NHI.

Medical schemes and pharmaceutical companies are especially concerned about their roles in NHI. Of particular concern is Section 33 of the NHI Bill, which states that Schemes may only provide cover that constitutes complementary or top-up cover that does not overlap with the personal health care service benefits purchased by the NHI fund on behalf of users. The bill, therefore, does make provision for private medical schemes to provide gap cover, ultimately meaning that these schemes will cease to operate and their members would be forced to use the NHI.

Over 52% of schemes have begun engaging with the National Department of Health and developed some NHI plans and strategies. In contrast, 47% of organisations do not have a plan for NHI, and 26% of those do not consider it a priority. The industry is increasingly concerned about a lack of clarity regarding the various private sector players' roles and responsibilities.

Many expressed a willingness to work across sectors to form successful partnerships. It would necessitate open dialogue between the public and private sectors, as well as careful consideration of all aspects of fund implementation, including legal, governance, and policy frameworks, as well as sociopolitical factors like public sector capacity and the financial implications of partnerships. These collaborations will most likely be managed per global and local best practices in healthcare purchasing, provisioning, procuring, and management. Best practices will improve access, equity, quality, and innovation while serving the currently uninsured population and levelling the playing field for access to high-quality healthcare.

Where do medical schemes fit?

The fears around medical schemes ceasing to exist in an NHI world are misplaced. The NHI will not bring about the end of private healthcare in South Africa. Instead, medical schemes will adopt new models to co-exist with the NHI by contributing to different minimum benefit packages. Suppose one looks at Canada, the UK, Australia and Europe – their national health systems co-exist with private health and are complementary in providing access to quality healthcare. The NHI framework places the state as a central purchaser of primary care and funds it through a single source of some taxation model. Private health in South Africa has shown its capability, especially during the pandemic. In its quest to implement a national health framework, the government can rely on the private sector for systems, healthcare professionals, management and administration skills to implement universal healthcare at a primary level with family practitioners as gatekeepers.

The NHI would suffer if medical schemes were limited in their role. Simply put, there aren't enough resources to meet the needs of all South Africans. Through the NHI, the state can rely on the private sector for different benefits packages, like optometry, pharmaceutical, preventative screening, and other supportive infrastructure to deliver services. It is certainly not the end of private health, and the model of co-existence is a debate where Medshield is making its voice count. Our position is to contribute to developing the NHI minimum benefit package. Most of all, attempting to prevent those who can afford it from using their medical scheme coverage and forcing them into the NHI system would increase the NHI's burden, depleting resources intended for healthcare. The structural change is essential and will help to strengthen and improve the healthcare system for all South Africans. Medical schemes should not be sidelined in this but should instead assist in building it and making it sustainable, with the ultimate goal of strengthening the public and private healthcare systems for all.

NHI's success depends on funding, governance, partnerships, and dialogue. Collaboration necessitates communication and transparency. It is critical to ensure that sub-sectors and organisations are adequately prepared for the NHI and have incorporated the model into their organisational strategies. It is a massive, complex, and multi-decade initiative requiring significant debate and effort to make it workable.

Universal healthcare access is morally and ethically correct, but these initiatives are most successful and sustainable when they are collaboratively planned, resourced, and show resilience in partnering.


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DRIVING INNOVATIONS WHILE CONSIDERING THE FINANCIAL LANDSCAPE AND MEMBER NEEDS

In September 2022, Discovery Health Medical Scheme (DHMS) announced that its members will only pay more for their membership from 1 April 2023, instead of 1 January 2023. This is the third time the scheme has deferred annual contribution increases to provide financial relief for its members. The 2023 increase will be announced in February, to ensure careful alignment with medical inflation.

Reflecting on 2020 and 2021 and the carefully-considered contribution-increase freezes, it is pleasing to note that the brilliant actuarial calculations that informed the strategy, achieved almost exact alignment of our projections with actual claims expenditure for the Scheme.

The Scheme's reserves strengthened relative to regulated solvency requirements because of the significant decline in non-COVID healthcare claims recorded during the pandemic and into 2022. The Scheme's excess solvency has been used to the benefit of members, with R6.8 billion achieved in contribution savings during 2020 and 2021 through the deferred increases. This also achieved effective annual contribution increases that were 50 basis points below the market over these two years.

The deferral of the 2023 contribution increase generates an additional R1.9 billion in savings for members in the first three months of 2023, bringing the cumulative member savings (returned to members from excess solvency) over the past three years close on R8.7 billion.

Judicious use of excess Scheme solvency provides both financial relief and new benefits to members

In 2023, DHMS is making an unprecedented investment in members' long-term health and, by extension, into overall Scheme sustainability. The scheme's aspiration is to help members understand their health status, and take action to address elevated health risks, to ultimately extend their years of healthy living.

TO JOIN SPEAK TO **YOUR FINANCIAL ADVISOR**, CALL **0861 266 482** OR VISIT **BONITAS.CO.ZA**

Medical Aid for South Africa

Bonitas

It is well documented both locally and globally, and it is evident within our own database, that the COVID-19 pandemic caused people to defer non-COVID related healthcare. People who were fearful of contracting COVID-19 at healthcare facilities missed essential screening and health checks.

Discovery Health's data clearly shows screening rates among members are worryingly below pre-pandemic rates. To mention a few key tests, general health checks are down 50%, mammograms down 15%, pap smears down 12 % and prostate cancer screening checks are down 10%.

The time has come for us to focus our attention on reversing this trend. When it comes to diseases such as cancer or any form of chronic illness, early detection is fundamental to limiting serious complications and reducing costs in the long term. For example, our data confirms that on average, a person diagnosed at the age of 40 with an early-stage breast cancer has a three times higher likelihood of surviving for five years post diagnosis.

This is why we have introduced a dynamic new benefit through which to support members' health and wellbeing. Effective 1 January 2023, the Scheme will make its excess solvency reserves available to fund an expanded range of screening and preventive healthcare for members through the new WELLTH Fund.

- The WELLTH Fund is activated by completing a Health Check during 2022 or 2023 (covered by the DHMS Screening and Prevention Benefit). This sets the baseline for a member's health status. Once the member and all their dependants have completed their Health Checks, they will have access to up to R10,000 in their WELLTH Fund - R2,500 per adult and R1,250 per child - for a range of additional screening and preventative healthcare. Members have access to six broad categories of health screening and preventative healthcare services, including general health, physical health, mental health, women's health, men's health, and children's health. Medical monitoring devices for certain health measurements are also covered.

Alongside significant time and effort invested into ensuring the robustness of our deferred contribution increase strategy, we have also worked hard to strengthen our goal of making our members healthier and enhancing and protecting their lives.

The Scheme's overall strategy is clear. Our three-year contribution deferral and 2023's innovative approach to investing in the immediate and long-term health of the DHMS member base - and by extension, the Scheme itself – work hand-in-hand to ensure the Scheme's sustainability now and into the future.

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BONITAS 2022 CONTRIBUTIONS CONTINUED FOR 2023!

Bonitas Medical Fund, which celebrates its 40th birthday this year and one of the leading medical schemes in South Africa, has announced its 2023 product line up.

"Our average increase for the year would have been 5.9% - well below the current inflation rate of 7.6%. However, we've put a price freeze on contributions for the first quarter of 2023. This effectively means an increase of 4.4% over the 12 months. We have also shared what members can expect to pay from 1 April 2023, so that they can make informed decisions."

'It's a balancing act between keeping increases as low as possible while maintaining the Scheme's stability,' says Callakoppen. By applying low contribution increases since December 2020, the Scheme has effectively passed R1.4 billion in savings to members.

The Scheme is financially stable with over R7.4 billion in reserves. We have also signed up over 190 000 new members in the last 36 months. The average age of these new members is around 15 years younger than the current membership – proof that we are attracting a younger, healthier profile, something which is coveted across the industry.

The future of healthcare is around primary and preventative care. There is a rise in non-communicable or lifestyle diseases, such as diabetes, high blood pressure and cancer. 80% of which are caused by lifestyle risk factors. This is why we offer a range of Managed Care programmes to help members understand and manage their conditions.

Cancer care

Last year, we announced our partnership with the South African Oncology Consortium, to enhance our cancer programme including screening for early detection, treatment and palliative care. For 2023, we have restructured benefits to be unlimited for PMB cancers, on all options.

Diabetes

Data from the South African Health Quality Assessment, shows that Bonitas has an effective disease management programme and better outcomes than the industry standard for diabetic members. In 2023 we introduce an annual benefit of R51 000 per family for an insulin pump or continuous glucose monitor for type 1 diabetics under 18 years.

Mental health

We will introduce an innovative digital solution, Panda, from October 2022 to support our members in managing their mental wellness. The free app offers everything from audio sessions with peers and mental health experts to one-on-one virtual consultations with professionals. We encourage our members to complete an online mental health questionnaire to assess their mental health status.

Benefit Booster

Launched last year, the Benefit Booster is aimed at supporting our preventative care strategy. It unlocked R446 million in additional benefits for members to extend their day-to-day benefits. For 2023, we are adjusting the benefit limits in line with utilisation with enhancements seen on several plans.

Designated Service Provider (DSP)

We implement networks to negotiate the most favourable tariffs for our members so they can avoid out-of-pocket expenses and get more value. This includes:

- A GP network of over 4 400 practices
- A pharmacy network, with around 2 500 practices to dispense chronic, acute and over-the-counter medicine, through Scriptpharm
- DENIS, our dental network, provides access to around 3 000 practices
- An optical network of over 2 300 practices, through PPN

Medicine formulary

Our medicines formulary is aligned to the WHO's Essential Medicines List (EDL) to promote affordability and accessibility to clinically approved medicines, in support of medicine adherence.

Hospital-at-home

The Hospital-at-Home service brings all the essential elements of in-hospital care to a patient's home, without moving away from evidence-based clinical protocols and state-of-the-art 24hr vital sign monitoring. In 2023 we include: A programme for re-admissions, screening and disease prevention, alternative to stepdown facilities and kidney dialysis at home.

Savings

We've amended our rules to allow members to use their savings as they deem fit for the new year and increased savings by up to 9.4%, depending on the plan selected.

Exclusive offers and discounts

With the current economic challenges facing the country, we know everyone is constantly looking for added value and ways to save money every month. For 2023, we've partnered with top providers for exclusive offers across a range of categories including: Lifestyle, wellness, gap cover, short-term insurance, life insurance and credit solutions.

As South Africans face increased challenges around inflation, fuel and electricity hikes

THE MEDICAL SCHEME LANDSCAPE

The Covid-19 pandemic saw two years of exceptionally low usage of medical services, and a reverse correlation with the increased reserve levels recorded by almost all medical aid schemes. As a result, most schemes opted to defer contribution increases during 2021 and 2022.

Medical schemes metronomically increase contribution rates annually, and typically by several percentage points above the consumer-price-inflation (CPI) index. Medical inflation has historically exceeded CPI by around 2% a year. This fact in itself, representing the basic principle of how inflation is created, reflects the dwindling number of medical professionals who are servicing an ever-increasing number of patients.

Household budgets under pressure

As medical aid usage returned to pre-pandemic levels these annual increases were inevitably imposed once again by the different schemes. In the meantime however, the macroeconomic environment has become one of higher inflation and persistently subdued growth.

Above-inflation scheme increases, coupled with constrained consumer buying power and limited inflation-linked salary increases, has led to increased pressure on medical aid members' budgets. With less to spend, many members are considering downgrading their cover. It is vital that members understand the resultant increase in personal risk for themselves before undertaking this commitment.

Additionally, several medical schemes, conscious of the financial pressures placed on their members during the pandemic, allowed members to review and change their plans at several points during 2020 and 2021, in addition to the standard annual January review. This placed not only medical scheme administrators, but also healthcare advisors under pressure – as multiple reviews were expected, with concomitant costs, for no increase in the level of income.

The perils of the current low-cost environment

The medical scheme landscape largely mirrors South Africa's own socio-economic landscape. Medical scheme membership has remained largely stagnant over the past eight years.

The combined membership base - roughly 8 million primary members - increases by a marginal percentage each year. Medical aid products are generally poorly categorised and named there were 251 different plans offered in 2021 compounding the already complex decision-making process of selecting the most appropriate cover.

A particularly glaring gap in the medical scheme market has been the lack of affordable options for those in lower income brackets, being the overwhelming majority of South Africans. As a result, South Africa's healthcare system is divided between private healthcare for middle and high-income earners, and a public healthcare system for low-income earners.

The development of a framework for the most likely solution to meet the public's needs – the Low Cost Benefit Option (LCBO) – has been regularly postponed against the backdrop of continued discussion around the feasibility and desirability of a comprehensive National Health Insurance (NHI) Bill.

In the interim, to secure some form of healthcare cover for low income earners, the market produced a range of products known as primary-care plans. Primary-care plans typically provide Network Day-to-Day cover, with some including a rand value for specified hospitalisation events. There is often 'fine print' limiting the conditions for which reimbursement is due. Unethical marketers seek to obscure these conditions, or even to portray primary-care cover as a form of medical aid, when in fact it is a form of limited insurance. While medical aid provides cover for extensive agreed treatments and conditions, insurance can be more limited and conditional.

Those members who defaulted to primary-care plans are at risk of falling victim to the fine print. For example, when emergency cover was elected, the fine print often dictates that this is only in the case of an accident. Another common shortcoming is when a member experiences an extended hospital stay as the result of (say) a burst appendix. Marketers, being pushed by financially drained members may further convince members to downgrade to smaller (often limited) plans, such as top-up and gap-cover, in an attempt to patch-together a home-styled comprehensive medical aid. This is often a recipe for disaster down the line when (rejected) claims start to roll in.

"You get what you pay for" has never been more relevant

GTC's advice to advisers is to ensure clients are made aware of the risks associated with downgrading cover. Advisers must stay abreast of contract fine print and changes made to medical-scheme and medical-insurance options during the year and especially at year end review.

Advisers should immerse themselves in the abundance of valuable information released by the Council for Medical Schemes in their Annual Report each year. These reports are of exceptionally high quality and provide a detailed breakdown of, amongst other topics, age profiles, pensioner ratio's, usage patterns, solvency ratio's, medical scheme costs and payments to different service providers. The information can get quite granular, but it's worth reviewing, alongside their regular policy, research and monitoring publications.

Armed with this information, professional healthcare advisers will find themselves able to guide members towards schemes which offer greater longevity, better able to manage ongoing annual increases, and to dovetail healthcare increases with assumptions made in financial plans.


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GET THE BEST OUT OF YOUR MEDICAL AID IN A TOUGH ECONOMY

Financial pressures are affecting everyone and taking steps to cut down on monthly expenses is a great way to free up more of your money for the things that matter.

One of the biggest mistakes you can make, however, is to cancel your medical aid completely in the process of tightening the belt, especially when you consider the significant financial burden should you have unexpected medical emergencies.

That being said, there are ways you can make sure, firstly, that you are not spending more than you should on medical aid, and secondly, that you and your loved ones have sufficient cover for your health needs – or that the scheme you are with offers rich value-added benefits.

Get a healthcare advisor

There are many medical aid options in the market and choosing the right one is not always easy. Every person and household have different needs and different levels of affordability, which is why having a healthcare advisor who can complete a needs analysis and explain competing options is a good way to identify the correct option for your needs and your pocket. They can review your chronic conditions, and current and future healthcare needs as well as your budget, to propose the right option for you.

Consider downgrading – not cancelling

Many South Africans have decided to change their plans to suit their pockets, opting out of comprehensive plans in favour of more affordable options available to them. These range from entry-level plans that mainly cover hospitalisation, to plans with additional 'savings' or out-of-hospital accounts and comprehensive plans that provide extensive healthcare cover.

While downgrading is always preferred over cancelling your plan, it is important to ensure that your new plan and scheme provide sufficient cover as this will affect your future claims and potential out-of-pocket costs.

Whether you are on an affordable hospital plan, or a top-of-the-range comprehensive plan it is important to choose a scheme that provides a variety of options that cover not only the basics but also cover the most important items such as maternity care, preventative care as well as managed care programmes for the likes of oncology and diabetes.

Reconsider unused loyalty programs

While loyalty and rewards-based programmes offer some attractive benefits, like free or discounted gym memberships or cashback on fuel spend, many people don't take full enough advantage of these programmes to justify the monthly cost of their memberships.

If you aren't quite meeting those daily steps or fitness goals to rack up those reward points, consider cancelling the extra expenses that these programmes bring. You can always sign up again in the future if you wish, or do your homework and take advantage of free wellness programmes and inclusive benefits available with existing plans.

Bestmed focuses on innovating with wellness in all aspects of life, including fitness, nutrition and emotional wellbeing. Our Tempo Wellness Programme is available on all plans at no additional cost, allowing members to complete health assessments and visit a bio kineticist for a fitness test or dietician for a nutritional assessment, to name a few.

MEDICAL SCHEME LIQUIDATION

Members of Health Squared Medical Scheme face an uncertain future after it came to light that their scheme's reserve levels had dropped to just over 2% by the end of July 2022 (well below the minimum statutory requirement of 25%), and the Health Squared Board of Trustees had applied for voluntary liquidation.

But before the High Court ruled on the liquidation application, the scheme was placed under provisional curatorship by the Council for Medical Schemes (CMS). While the High Court ordered the scheme to continue to provide cover to its members with life-threatening conditions until the end of September, members find themselves having to seek alternative medical scheme cover, which may be subject to various underwriting requirements. Although the failure of medical schemes is a rare occurrence, the Health Squared scenario highlights the importance of medical scheme financial soundness, both in the short and long term.

It also raises questions as to how scheme members would know if their medical scheme was in financial trouble, and how members can go about selecting a scheme that will be there for them when they need healthcare funding support the most.

Lerato Mosiah, CEO of the Health Funders Association (HFA), says that by law, a medical scheme must – at all times – hold reserves of at least 25% of its annual contributions.

"These reserves aim to protect members' interests by ensuring the continued operation of the medical scheme and to ensure it is able to pay claims in the event of unforeseen circumstances".

As would have been the case for Health Squared, which reportedly suffered from high claims associated with COVID-19, these required reserves also act as a 'buffer' when the usual monthly contributions no longer cover the scheme's liabilities.

However, Mosiah says that, depending on other risk factors, warnings should sound when reserve levels fall below 25% as this could be an indication that the scheme may be in financial trouble and may not be able to pay claims in the longer term.

In the case of Health Squared, the scheme was already running at a deficit in 2019 and its solvency level had dropped to 15.4% (according to the CMS annual report) and so there were red flags even before the increased volatility brought on by COVID-19.

Apart from reserves, there are several other indicators that members can check to get a good sense of the financial health and stability of their scheme.

Ideally, schemes should be growing and not shrinking, although this is a challenge in these economic times and so comparative growth or shrinkage across medical schemes may be a valuable measure.

The age profile of the medical scheme is an indicator of risk profile and an important measure as medical schemes are required to manage their risk without being permitted to price according to age or health status at an individual or member level.

At the end of 2019, Health Squared already had the highest average age across all registered open medical schemes with almost 26% of beneficiaries older than 65, further exacerbating the risk position.

Schemes also invest their member funds to obtain returns on these funds, and positive investment returns add to a scheme's healthy financial position.

Finally, schemes, as non-profit organisations, price their contributions to be close to break even, while allowing for changes in membership, healthcare inflation and solvency requirements. A scheme's record in this regard indicates good financial management and sound actuarial practices.

Mosiah says that the scheme's annual general meeting is a good opportunity for members to ask questions about the scheme's financial and other results, which can also be found in their annual reports.

"The Trustees are responsible for making sure that the scheme is run in accordance with its rules and the Medical Schemes Act, which includes safeguarding the scheme reserves", says Mosiah.

She adds that the Council for Medical Schemes has the ultimate responsibility for making sure that schemes abide by all applicable legislation and must ensure that schemes maintain reserve levels, in the interest of protecting members.

Schemes must keep the CMS up to date with periodic reports detailing, amongst other aspects, their financial soundness and risk profile. This should enable the Council to act and take appropriate measures before a medical scheme runs into trouble - in order to protect the members of that scheme and the industry as a whole."

"Regulations are there to protect all medical scheme members," says Mosiah.

"The failure of any medical scheme has a knock-on effect on other schemes since higher risk members then require cover without any transfer of reserves which ultimately increases the burden on other scheme members".

The HFA has been an active participant in discussions on regulatory reform for medical schemes, particularly since the publication of the Health Market Inquiry (HMI) Report in 2019.

The HMI recommended a risk adjustment mechanism for medical schemes as an important component of the social solidarity approach to regulation, which would have been beneficial to a scheme like Health Squared.

Further, the implementation of a risk-based capital solvency requirement as set out in the CMS discussion document in 2015 would have more effectively flagged the risk of declining solvency and escalating risk.

The 2019 HMI report noted that: "The current solvency requirement [for medical schemes] is also out of line with other South African Prudential requirements: both long-term and short-term insurance environments have risk-based solvency frameworks in place".

Mosiah notes that the COVID-19 period has been associated with high volatility in utilisation of health services and many medical schemes have accumulated reserves as a result of lower utilisation of other health services during the focus on COVID-19 treatment.

She notes that although overall solvency levels across medical schemes are on a sound footing, this should not lead to complacency as medical schemes need to ensure they remain financially sound as healthcare utilisation and claiming patterns return to normal.

"The HFA's recommendation is that medical scheme members pay attention to the status, soundness, and sustainability of their medical scheme. A good way to do this is to discuss these indicators with their financial advisers, who should be up to date on those mentioned above," says Mosiah.

"We all need to feel confident that when we need our medical cover, especially in the event of catastrophic health events, our scheme will be there for us."

HEALTHCARE IN SA IS NOT AFFORDABLE AND INCLUSIVE ENOUGH

An urgent shift is needed

NetcarePlus GapCare offers unrivalled healthcare options

NetcarePlus GapCare from Netcare acts like a shock absorber for costs not covered by medical aid and unexpected co-payments by softening the blow of an already trying event in someone's life. With the right solution, financial constraints don't need to compromise the quality of healthcare. GapCare also offers a greater selection of affordable healthcare options creating access to Netcare's world-class facilities.

"Life can be unpredictable, but healthcare costs don't have to be," says Teshlin Akaloo, managing director of NetcarePlus. "Given the current climate of uncertainty and unemployment, there has never been a greater need for new, affordable ways to access private healthcare to ensure that taking care of medical needs does not impact household budgets with unexpected out-of-pocket expenses."

Change is urgently required to address the affordability challenges that employed people and their families face in accessing private healthcare.

When a provision of care can be integrated with funding, this is possible without breaking family budgets and patients having to endure the tedious and often stressful tug-of-war between health funders (medical aids) and providers (hospitals etc).

"As Netcare, through NetcarePlus's products, we have a unique opportunity to provide a solution and creative options are needed now more than ever to answer to the complexities of the South African health environment for the benefit of more South Africans," explains Akaloo,

SA needs affordable quality healthcare with more options - now

What sets NetcarePlus GapCare apart is that it widens access to quality healthcare beyond medical scheme limitations by providing shortfall cover for both in and out-of-hospital specialists. Plus, it takes care of shortfalls for emergency department costs that are not limited to accidents, day-to-day expenses when medical scheme limits have been reached or savings have been depleted, costs for high-risk pregnancies, and other maternity-related benefits.

Many medical schemes have network restrictions limiting access to certain hospitals or specialists and do not always provide cover for shortfall expenses, and this can leave households out of pocket. Shortfalls covered by NetcarePlus GapCare are for any hospital and are not restricted to the use of Netcare hospitals only.

NetcarePlus offers GapCare, GapCare300+ and GapCare500+, a comprehensive selection of gap cover for the shortfall in medical expenses to members on any medical scheme.

Minimising financial stress and strain

Anyone requiring healthcare that is not fully covered by their medical aid might feel that the treatment options available to them are limited or even inaccessible if they do not have the finances to pay for these additional costs. NetcarePlus GapCare — underwritten by Hollard Insurance Company Limited — addresses these medical scheme limitations and provides full access to world-class treatment from specialists and hospitals within the extensive Netcare network.

TECHNOLOGY

"Companies often struggle across digital channels because they are not sufficiently informed of the real needs and preferences of customers across the omnichannel journeys they create."

- WIMPIE VAN DER MERWE, CEO AT GLOBAL CHOICES

UNDERSTANDING WHAT AN IOT PLATFORM IS

Global spending on Internet of Things (IoT) technology is expected to top $1.1 trillion by 2023. Despite the complexities associated with managing the environment, it is well worth the risk.

Global spending on Internet of Things (IoT) technology is expected to top $1.1 trillion by 2023. Despite the complexities associated with managing the environment, it is well worth the risk. In fact, 23% of European IoT adopters cite improving their security posture as the main reason for adopting IoT. However, it is something even non-technology-focused businesses can benefit from. Whether you are a food delivery services provider or a clothing retailer, IoT can unlock significant growth opportunities.

In an increasingly mobile-first, digitally driven global economy, IoT platforms are becoming commonplace. But what is an IoT platform and what makes one better than the other? Terms like SaaS and PaaS are being thrown around without a real understanding of what they encompass. Many organisations we have been dealing with ask whether they can build their own infrastructure and IoT platforms or if they even should attempt it. So, let us first examine these questions one by one. In this, the first in a series of articles where we examine the importance of IoT platforms and infrastructures, the focus is on what they are and how to identify whether your organisation requires them.

WHAT IS AN IOT PLATFORM?

Generally, IoT platforms focus on one of the foundations that make up the technology: connectivity management, device management, mobile device management, and other digital services. There are thousands of articles that define IoT. But it all comes down to how IoT is centred around the communication and interconnection of ‘things.’ Essentially, any ‘thing’ (device or asset) is something that connects to a network. IoT, being a collective of multiple things, typically involves a plethora of physical objects talking to one another through networks. Cloud-based management platforms have emerged as a new wave of business plug-and-play IoT solutions. They enable visibility, management, and control of specific elements associated with an IoT deployment.

UNDERSTANDING THE IOT ENVIRONMENT AND ITS COMPONENTS

Of course, each layer of IoT comes with its own set of challenges. These typically require specialists, high capital investment, and more than a handful of administrative hurdles. There is also sure to be a fair amount of trial and error when it comes to designing, testing, launching, and scaling an IoT solution, let alone building a management platform. Usually, specialist IoT platforms are built solely for connectivity, device management, or mobile device management. Not all business cases require a combination of device, connectivity, and mobile device management.

However, some service providers do offer integrated systems that cover all three of these components. There are several common features found on virtually any IoT platform. These include the digital services that run in the cloud to which the physical devices connect. The firmware that runs on IoT devices is also critical to enable communication with digital services.

As part of this, companies can send firmware updates to the devices through the cloud to ensure the devices continually evolve with new functionality and features as required by the business. Alternatively, businesses are faced with manually updating the devices' firmware by pulling devices out of the field (resulting in downtime and an increase in operational costs).

Furthermore, they could leave devices on stagnant firmware, which leads to security risks or compatibility issues with other applications that rely on the critical transmission of data from these devices. It is therefore essential to have tools and infrastructure in place to update the device firmware over-the-air (FOTA). Central to the success of any IoT platform is the framework or infrastructure for data transmission and remote access to control devices.

This facilitates how the components interact with one another. Without this in place, the platform will merely be a set of disparate systems not communicating and integrating with one another. Furthermore, interoperability is an important characteristic of a successful IoT platform.

This means that businesses and service providers need to build IoT systems, platforms and solutions that are able to adapt to the ever-evolving technological landscape. Businesses simply cannot risk building (or buying) a 'future-proof' IoT solution that is built on siloed legacy infrastructure. Along with interoperability, businesses require complete visibility of their IoT estate. This is where web-based dashboards and other visualisation tools can provide an overview of the state of devices as well as how they interact and engage with one another.

In the next article, we will dive into which business cases require a platform as a service (PaaS) or software as a service (SaaS) and the relative differences in their application.

DRIVING MARKETING WITH AI

Frik van der Westhuizen, Marketing Director, LoyaltyPlus

With global revenues from artificial intelligence (AI) software expected to top $62 billion by the end of this year, companies across industry sectors are finding increasingly innovative use cases for the technology.

AI brings with it the ability to automate many administrative-intensive functions at scale. When it comes to marketing, AI can help identify new audiences while optimising spend on campaigns. Organisations and agencies are looking for increasingly inventive ways to get the most value possible from their marketing investments. Budgets are tighter than ever in the post-pandemic market. Optimising return on investment is something most organisations have prioritised. This is putting pressure on the marketing function to not only target the right customer segments, but also do so in ways that yield the best results. This is where AI becomes an enabler for optimisation and growth.

Much of marketing is built on effective data analytics to understand customer segments and develop the most relevant campaigns for those segments. AI brings with it the capability to analyse the exponentially expanding data real estate faster than what human operators can do. This provides users with a platform toapply insights more holistically. It also delivers the means to discover audiences that might have been overlooked in the past and identify existing audiences that have become irrelevant. Reaching new audiences can translate to new customers, more revenue, and growth that is becoming increasingly difficult to accomplish in a highly competitive environment.

Perhaps the most important aspect of AI is that it can achieve its objectives efficiently. There are no wasted resources, and the real-time nature of the technology ensures leadership can make decisions to adapt to changing customer needs much faster than previously possible.

Furthermore, when it comes to campaign management, AI can automatically manage online search bids, coordinate paid keyword purchases and even take care of digital display network placements with little or no user intervention required. However, some traditionalists are still resistant to let the 'machine' take over what used to be a creative function when it comes to keyword identification. Even so, AI can identify the most in-demand keywords as searched for by users. This can be done at a micro-level to ensure the right targeting can take place especially when it comes to social media campaigns.

If the pandemic has shown companies and marketers anything then it is how users expect to be engaged with by a brand on their digital channel of choice. Whether it is in the search, on social media, via the company site using a chat bot, or anything else, the communication must be relevant and designed to reflect the needs of that user. Successful, modern campaigns can no longer rely on the vagaries of a 'spray and pray' approach.

Instead, it is about using targeted customer data, performing AI analysis at speed, and delivering something more bespoke to deliver that differentiation.

COVER

5 THINGS VIRTUAL AGENTS DO THAT STANDARD CHATBOTS CAN'T

Most visitors to a website probably don't know the difference between a chatbot and a virtual agent. To be frank, most probably don't care either. All they want is an easy and efficient way to resolve whatever query or issue they might have. But for the decision-makers behind those websites, knowing the difference between the two can be key to providing the kind of experiences that today's customers expect.

RYAN FALKENBERG

Co-CEO, CLEVVA

Far from the total customer service solutions that organisations were promised when they first came to prominence in the 2010s, chatbots are fairly limited in their capabilities. In short, they are simple digital assistants. You give them a specific request or question, and they will try to find you a relevant answer from the available knowledge database. If your question is unclear, or the available information is too generic, you will be frustrated.

> ***"virtual agents are able to track every engagement in detail."***

A virtual agent, by contrast, operates more like a human expert. These customer service specialists can resolve a huge range of rule-bound and contextual queries, issues and complaints without having to bring a live agent into the loop. Here are a few things that virtual agents can do that most chatbots struggle with.

1. CLARIFY

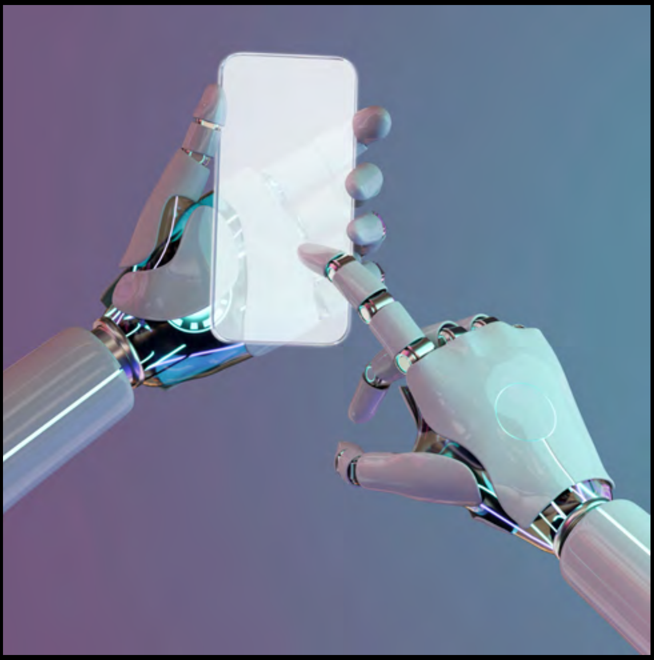
One of the first things that set virtual agents apart from chatbots is their ability to clarify queries. Let's say, for example, that you need help with a forex payment that has not been received by an international customer. In your haste, you only tell the chatbot you have a "payment issue". A standard chatbot will likely just offer you a selection of links to documents relating to financial payments. A virtual agent will first ask a series of clarifying questions that ensure it fully understands the context of the issue, before trying to find the right solution. This makes sure it does not start off on the wrong track.

2. ANALYSE

Another strength virtual agents have is their ability to analyse each query before seeking a viable solution. This includes analysing the situation, assessing the underlying customer needs and/or diagnosing the root cause of the problem. Chatbots, simply put, aren't capable of that. They jump straight from intent to predicted solutions. As a result, the user is left with the daunting task of trying to determine which predicted solution is right for them.

3. SOLVE

It's also worth noting that virtual agents are capable of offering more than just a single solution to a specific customer query. While they may do so in instances where that's warranted, they typically look to shape solutions that resolve the query in context of the set of situational variables, needs and/or root causes that are identified.



This ensures that the solution resolves the query in full. Chatbots tend to offer single solutions to complex problems, with the result that most digital queries end up being sorted out by human agents anyway.

4. ACTION

Because virtual agents clarify, analyse and solve like human experts, they are able to pass trusted data across to operational systems for straight through processing. Companies can be assured that the right questions were asked, the right rules were applied, the right answers were given and the right solutions were reached. With chatbots, you don't have the same assurance and you always need a human to double check before anything gets automatically actioned.

5. TRACK

Finally, virtual agents are able to track every engagement in detail. This means you not only get a detailed compliance report per engagement, but you get rich structured data that enriches customer insights and enables deep analysis and accurate predictions. You don't get this from chatbots. They remain black boxes that offer little in terms of trusted, structured data and reporting.

THE MOVE FROM CHATBOTS TO VIRTUAL AGENTS

As companies look to automate more of their customer service, they will naturally move away from chatbots and towards virtual agents. Chatbots place a dependence on live agents to counter their limitations, while virtual agents are capable of doing the full job without human intervention.

INTERACTIONS AND EXPERIENCES ARE KEY IN SHAPING CUSTOMER IMPRESSIONS

Companies often struggle across digital channels because they are not sufficiently informed of the real needs and preferences of customers across the omnichannel journeys they create.

Technology is transforming our world rapidly and is revolutionising our working environments, creating new and exciting opportunities for companies and society as our physical, digital and biological worlds merge. These ever-evolving changes cause the blurring of lines between humans and technology, which is causing new underlying frustrations, anger, stresses and uncertainty. Customers now have an unprecedented number of ways to engage with companies, from traditional methods to a choice of digital channels. A total omnichannel transformation strategy is required to address rising complexity, to create an excellent customer experience and customer care, and to manage operational costs.

"A major customer perception is that the insurance industry players engage with them in a siloed manner- selling them individual product lines or solutions, driven by remuneration structures, and not addressing their holistic needs."

WHAT REALLY MATTERS TO CUSTOMERS

Companies across industries are adopting a more customer-centric posture and re-evaluating their customer care strategies. While care has traditionally been viewed purely as a cost centre it is apparent that customer interactions and experiences are key in shaping customer impressions of the insurance company and its products or services. Today's customers are omnichannel and they want seamless transitions and a consistent experience from one channel to the next. They want customer care functions that can excel at:

1. **Empathy:** is a vital component of customer care and it is even more important in insurance. A lack of empathy can be found across the industry as it is easier to focus on the numbers than on people. Customers want to be treated well throughout their lifecycle relationship with an insurer and with every interaction across your omnichannel

2. **Loyalty:** It costs more to attract a new customer than to retain an existing one. Insurers must create value at each renewal as renewals can be regarded as poor value for customers. Insurers should be focused on building a two-way loyalty relationship with their clients.

3. **Insurance products that add value to the customer's life:** Insurers should be able to illustrate the value in any insurance product from the customer's perspective. If they can't it's probably not a good product.

4. **Responsiveness:** Customers want immediate care and assistance from their insurance company when they just experienced a risk event. They want the confidence and confidence that their risk event will be taken care of from the emergency event to the claim's resolution-service guaranteed.

5. **Clarity of pricing:** Customer want to know where their money is going and what additional value insurers are creating for them in exchange for an increased premium. They want a clear understanding what they are intitled to. The key is to facilitate customers to connect to their future selves and make the impact of their decisions tangible to them to drive informed decision making.

OPTIMISE THE END-TO-END CUSTOMER JOURNEY AND CARE

A major customer perception is that the insurance industry players engage with them in a siloed manner- selling them individual product lines or solutions, driven by remuneration structures, and not addressing their holistic needs. Today's customers are increasingly expecting a more meaningful and diverse value proposition and trusted relationship. They are looking for a partnership to assist them or advise them to achieve their personal objectives and protection. These trends all conspire to make omnichannel customer care more challenging and complicated. Live agents are not going away as they are important for more complex interactions with customers. Digital channels are invaluable if executed and integrated correctly but can create issues that increase demand for live agents when poorly managed. Your omnichannel transformation require that each channel is optimised for each customer interaction that can vary significantly by customer type. To achieve that companies must seek to understand what really matters to customers for an effective strategy that requires an in-depth understanding of what customers truly want.

CUSTOMER PREFERENCES REQUIRE OMNICHANNEL TRANSFORMATION

The push to omnichannel emanates from the evolution of customer preferences and needs as more digital channels emerge. As customers become more integrated with technology and their comfort with digital channels evolve, they will still require live agents' interactions especially the older generation . If insurers are truly committed to customer journeys and build capabilities, to provide seamless services, and have a single view of the customer across the different channels, they will be in a create position to delight their customers for years to come.

THE ROAD TO A DIGITALLY ENABLED

INSURANCE INDUSTRY

Every participant in the insurance industry is evaluating digitisation as an essential part of their long term strategy. I spent some time with Wayne Toms, CEO of Ghostdraft South Africa, to explore the industry's quest for sustainable digital transformation.

Tony: What is Digital Transformation, and why is it so topical in insurance right now?

Wayne: Put simply, it's using technologies to automate processes and create digital customer experiences to meet changing business and market needs.

For example, a customer who wants to buy an insurance policy may want have the following experience with the insurer:

- Online access to a form to submit certain information
- Quick or even real-time assessment, underwriting of their application
- Quick turnaround of policy documents, with personalised product offerings
- E-delivery of those documents
- Dynamic document content, including multimedia, interactivity options, etc.
- The ability to manage their affairs online.

On the question, why has Digital become topical for insurers? Well, the way customers buy insurance today is changing, everyone has smart phones and apps, and these have become the default go-to for shopping. This has led customers to expect more from their interactions with insurers customers hate friction, and they want to be able to dictate their needs, and correspondence including contracts, like policies, claims etc needs to be brief and easy to read.

The thing is that new market disruptors have tied into this changing need. With less dependence on legacy systems they have specifically set out to disrupt business models, pricing and customer selection dynamics.

So, as rising customer expectations, intense competition, and economic volatility continue to change the insurance landscape, carriers of all sizes across the industry are shifting focus to three core areas:

- Building exceptional customer experiences that drive growth and retention
- Driving process efficiency and cost reduction, and
- Accelerating digital transformation through innovation.
- Digital transformation, then, means changing our business systems to enable this, and also making commensurate changes to our people, structures and business processes.

Tony: Why have insurers been slow to respond?

Wayne: The aim of insurers, like banks, is to reduce risk. The inevitable impact of this has been to slow down innovation. This is frequently seen in the core insurance IT systems, which are notoriously slow to change or extend.

Research has found that it takes insurers an average of 8 months to bring even simple new insurance products to market, and 4 months for modified products. Half of this time is spent in implementation and testing, where the product is coded or configured in insurer systems. However, insurers now need to find a way to adapt to these new customer requirements, while continuing to meet their fiduciary responsibilities.

The problem is, the way many core insurance systems have been architected means that Digital requirements cannot usually be easily enabled by these systems. New systems are required but, replacing core systems is hugely complex and costly. This change process is made more complex by the need to support the complex insurance product structures in new system, and to migrate policies in force across to these systems.

Tony: Given this legacy investment, what options do insurers have to offer digital enablement to customers and their businesses?

Wayne: Digital transformation can be a hugely disruptive journey for insurers, because of the difficulty of changing existing systems, structures and processes. We would argue that digital transformation be seen not as a single, huge investment, but as a series of small, incremental steps. The key is to find a way to enable digital customer engagement without changing core systems. Luckily, modern IT has provided a way to do this, with the development of what are called open APIs which, with standard methods, allow computer systems to talk to each other.

They are widely supported and are relatively easy to work into existing IT ecosystems. This interaction layer can enable us to separate digital functionality into a separate set of systems, and to layer these systems on top of existing systems without the need for extensive and invasive system surgery.

Tony: The next step is probably to look at the solutions available to insurers. What are the types of digital enablement solutions that are available to insurers?

Wayne: In order for a process to be digitally transformed, there are four types of application or system functionality that we should consider:

1: CONTENT SOLUTIONS

- Customer personalised
- Data-rich
- Multimedia and online enabled

2: CUSTOMER ENGAGEMENT SOLUTIONS

- Customer apps
- Simplified engagement journeys
- E-delivery

3: EMPLOYEE ENGAGEMENT SOLUTIONS

- Business user apps
- Simplified process journeys
- Embedded automation

4: PLATFORM SOLUTIONS

- Simplified integration layer
- API-enabled
- Cloud ready
- Low / no-code configuration

At GhostDraft, we focus specifically on the automation of insurance documents and correspondence. This is obviously a key point of customer interaction. So our solutions are able to provide a front-end application for customer interaction, as well as a simplified browser-based solution for insurance business users. Both of these can easily be integrated into insurance back-end systems. In fact, we have already done this for many leading PAS systems and we're able to deliver all document content as personalised and multimedia-enabled.

Tony: Where would you recommend that an insurer get started?

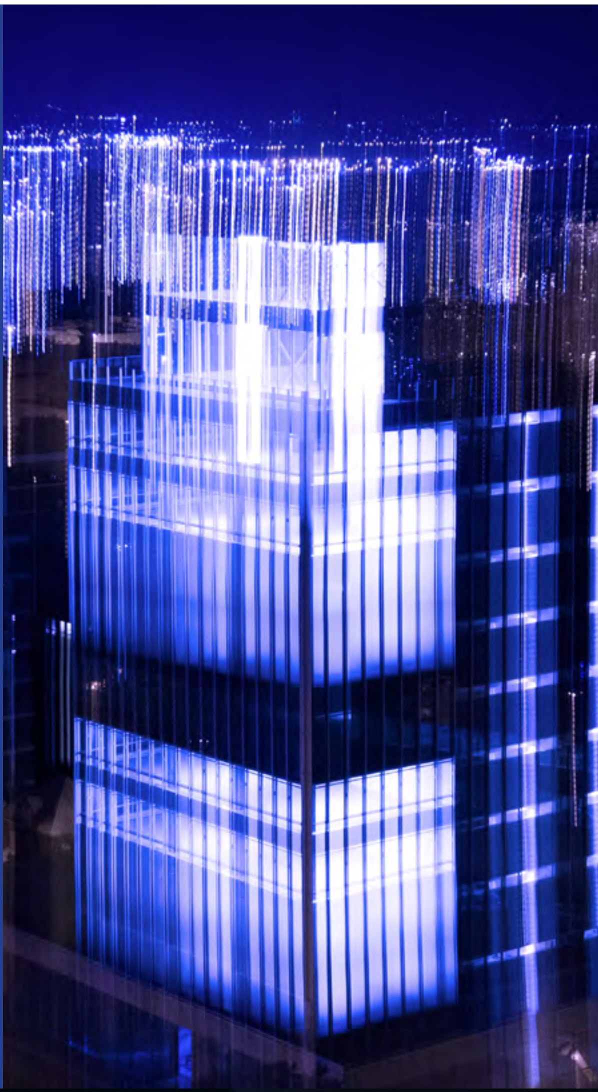
Wayne: The first step is indeed to get started. We suggest to our clients that they identify a customer interaction point where value is easy to articulate, for example engaging with new customers to produce a quote. Rather than reengineering or radically altering core systems, look to leverage an existing 3rd party solution which can handle the full digital journey with the customer. These systems are designed from the ground up to work with other systems.

That leaves a much simpler requirement in the hands of IT, to provide a simplified integration layer on top of existing core systems. In our interactions with insurers we see many of them building out their functionality to allow systems like these to be easily integrated into their environments.

This does not have to be a forever solution. The beauty of separating digital into its own layer is that these systems should be replaceable with limited impact on the core.

Tony: How about brokers and other intermediaries? How might this apply to them?

Wayne: Brokers' customers have the same needs as those who interface directly with the insurance carriers and, in our experience, with some careful planning, it is often quite possible for brokers to own the digital front-end and to integrate this into the carrier's policy and claims systems. One of the benefits of digital solutions is that they often require less up-front investment and are extremely versatile. So, these systems are actually within the reach of mid-size intermediaries and can give them the ability to flex to a variety of current and future customer requirements.



IN SUMMARY

While the digital transformation journey can seem complex and expensive it doesn't get any easier by doing nothing. If we can disaggregate the journey into a series of more manageable initiatives and investments then we can deliver customer benefit more expediently, while also building out a flexible set of systems that can be used in future to adapt to growing customer and business requirements.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EVENTS

"Networking is the No. 1 unwritten rule of success in business."

- SALLIE KRAWCHECK

4TH SOUTH AFRICAN ENGINEERING

INSURANCE CONFERENCE 2022

The South African Association of Engineering Insurers (SAAEI) Conference was hosted on the 13th and 14th of October at the beautiful venue, Kloofzicht Lodge and Spa.

Besides the stunning views and sipping a morning coffee while watching the sunrise, the conference as a whole was a huge success and of great benefit to our team. We received invaluable and insightful information on various relevant topics from all of the inspirational speakers who participated. Amongst the topics were the impact of COVID-19, the Riots and Strikes in South Africa and the Russian Ukraine war on insurance (Ms. Lisa Swaine).

Reinsurance (Mr. Kevin Stanley & Ms. Hayley Schell) and the importance of Environmental, Social and Governance (ESG) as well as what has happened in engineering insurance over the past 12 months (Ms. Manuela Baroncini). Our Managing Director, Chris Charlton had the opportunity to provide feedback on the IMIA 2022 conference held in Dublin which he attended in September along with the market industry stats. Our Senior Underwriter, Kobus van Niekerk participated in the panel of discussion on the proposal of the Engineering Academy.

On the final day of the Conference, after all the speakers had finished, everyone was assigned to 1 of 4 breakaway sessions where they were given the opportunity to discuss in more detail their specific topic, as well as provide their insight and opinions on what is happening in the market.

A huge acknowledgement to all the organisers as well as to our sponsors for putting a valuable conference together. We are heading towards innovative and exciting times ahead, hope you are looking forward to it as much as we are.

BUILDING THE RESILIENCE MUSCLES OF ORGANISATIONS

Thabile Nyaba, the president of IRMSA welcomed all the delegates attending the 2022 Institution of Risk Management South Africa's conference that took place at the Wanderers Club, Johannesburg over the two days 27 & 28 September.

In her opening address she said: "There has never been a more exciting time to be a risk manager than now, because the future that we have always predicted is happening now." "Our fraternity is transforming immensely; we have moved from being 'at the back of the office' to being at the forefront of our organisations.

We are the ones that tell our organisations what lies ahead; we help them prepare for what could potentially be coming and help them navigate through materialisation of what we have been warning them about; we accelerate them out of disruption and ultimately launch them into the new reality. We are at the forefront of building resilience muscles for our organisations. We are the forerunners that bring, hindsight, foresight, and insight." She followed that by posing the question, "Should we really still be called risk managers, or should we now be called risk leaders?"

The following two days were broken into plenary sessions and break away streams which saw a variety of speakers and panel discussions, tackling the following topics: Risk management benefits of Ubuntu, Cyber risk, The future of South Africa, Ethical leadership, Upping our corporate game, ESG, Risk management as a career of the future, Resilience, Strategy, Climate risk, Private & Public Sector Partnerships, Where we are now since the release of the 2022 IRMSA risk report, SMMEs, Risk appetite and tolerance, The state of the global insurance market and lastly, How to unleash our greatness.

The opening keynote speaker **Prof. Thuli Madonsela** tackling the topic of risk management benefits of Ubuntu. She said that: "leaders in this field need to think about levelling up through Ubuntu based leadership as a guardrail for risk management. What I have learnt throughout my life is that people are at the centre." She later called on the community to consider embracing Ubuntu as the anchor of risk management.

On the topic of Risk Management & Justice in a troubled environment, **Prof. Bonang Mohale** highlighted the important issue of ethical and bold leadership and turned around the narrative that Africa is poor, when it is just poorly managed. He said: "The day we wake up and realise that we need to choose people that are wholesome, of integrity and can give us ethical leadership, transparency and accountability, then and only then can we say Africa's not a poor continent, just poorly managed."

Shivan Hutton, Managing Director and Head of Marsh Specialty Africa addressed the topic of Climate and sustainability imperatives. He said that for today's leaders, maintaining day to day operations while making the transition to more sustainable processes will prove critical to remaining profitable. Keeping up with consumer expectations, shareholder expectations, public expectations and staying ahead of regulatory changes, businesses need to be very proactive in their risk management programmes to mitigate against climate change risks, sustainability in general, protect their assets and invest in the future of the company and the planet at large.

Doris Viljoen, Director: Institute for Futures Research Stellenbosch Business School, took us through some of the existing visions and goals for Africa 2030 and compared them with what is currently happening, and looked at how we are doing in terms of realising the 2030 vision.

Sithembiso Ngwenya: Group Chief Audit and Risk Officer, ACSA, speaking around why we need risk governance, said: "It goes without saying that if you want to have a successful business you need to have properly articulated strategic KPI's. Things that are clearly formulated to make sure that everybody within your entity rallies towards achieving whatever KPIs you put in place. It therefore goes without saying that you need to do a thorough risk assessment to ensure that you look at the pitfalls that might occur if you do not meet your KPIs."

Dr Mpho Modisane, Group Manager, Risk Management: ACSA spoke on the topic of Innovation & creativity as a fundamental leadership competency and shared high-level tips on how to formalise the innovation and creativity in your organisation. She spoke about the need for a structured and systematic process to enable a conduit for innovation and creativity while at the same time safeguarding your organisation from undesirable results.

How do we hold leaders accountable for their performance? **Boitumelo Mabotja, IRMSA Internal Control Manager, Limpopo Gambling Board,** unpacked the answer to this question and helped delegates understand the difference between good leadership and

Bad leadership and the importance of accountability as a leader and having performance management system in place for the Board, its subcommittees, and the CEO.

Alan Mukoki, Chief Executive Officer: SA Chamber of Commerce speaking on the topic of Private / Public sector partnerships stated: "How can we make SA successful if we do not build and adopt the idea of a mediocracy, that is the first risk that we need to deal with in the context of what we are doing in South Africa. Otherwise, there is no point in bringing the public and private sector together if we do not know the first thing that we need to discuss."

Speaking on the topic of Risk appetite and tolerance, **Vanessa Thurlwell Senior Risk Consultant: Mondial Consultants**, explained to delegates that the setting and implementation of Risk Appetite and Tolerance need not be a daunting and complex task. She said that the most important consideration is that it is fit for purpose for the organisation and adds the value that is expected.

Tap van den Berg, group head, enterprise risk management, spoke about linking strategy and risk management from an Africa perspective. Ukraine Russia war and China's persistent drive to contain COVID-19 through lockdowns, is disruptive for global trade, specifically disrupting global supply chains. Africa is directly impacted by these developments and as risk professionals, it is essential to ensure that Strategy and Risk Management is fully integrated, to ensure that entities create, preserve, and realise value for all stakeholders in uncertain times like these.

Lara Wild of Marsh, when commenting on the state of the Global insurance market and high cost of premiums said: "It is important for risk managers to partner with their insurance company so that they can walk the journey with the client. Some clients will move to a different insurer because they are going to save R10, sometimes R10 is critical to a business, the point is if you take a more long-term view and you can walk the journey with them, and the insurer gets to know the business and steps you have taken to mitigate risk within your business, it is an easier conversation.

In the hard market where risks are not being managed, some insurers are opting to just walk away, not even giving a high premium option. So, it is important to partner with your intermediary and to partner with your insurer and take a longer-term view."


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EVENTS TO LOOK FORWARD TO..

IRMSA ANNUAL AWARDS 2022

The Institute of Risk Management South Africa (IRMSA)'s annual awards acknowledge the achievements made by members that continue to LEVEL UP in their risk management roles and within their dynamic teams. Nominations close on 31 October 2022.

Submit Nomination!

THE 80TH ANNUAL IIG DINNER

We would like to invite you to #ShowUp to Africa's largest insurance event where professionals, leaders & captains of our industry will gather to share their passion for this market in a final send-off to 2022.

Register here.

INSURTECH 2023: TECH WHEN NEEDED HUMAN WHEN WANTED.

We are excited to announce that the second installment of Insurtech2022 is scheduled for the 8th and 9th of February 2023.

Save the date!

#whyCIB?

cib

Understanding your world, we offer insurance done properly, in a personalised way.

Who we are

- One of the **largest Underwriting Managers** in South Africa
- Focused on **short-term insurance,** across Personal, Commercial and Niche classes
- **Entrepreneurial** mindset
- One of the **lowest claims rejection rates** in the industry
- We partner with **like-minded brokers**
- **200%** growth rate in the last 10 years
- Over **R1.6 Billion annualised premium** income
- Premium increases **below inflation** every year for the last 5 years
- Guardrisk, our license carrier is a **level 1 B-BBEE contributor**

Broker **benefits**

- A wide **product range and competitive pricing**
- **Tailored solutions** to suit broker and clients' needs
- **Country-wide** footprint
- Personal attention through **dedicated Portfolio Managers**
- Focus on **risk management**
- Ease of access to a **state of the art IT platform** for policy and client administration
- Easy access to decision makers and speed of decisions

Quality

Service Excellence

Personalisation

What makes us **different?**

- Our suppliers adhere to our standards of excellence and share in our vision
- Exceptional turn around times with consistent and efficient claims processes
- Comprehensive underwriting processes upfront to ensure peace of mind and no underwriting at claims stage
- Our diverse product range with regular product updates, keeps us relevant and abreast of the competition
- Ensuring we provide diverse expertise and technical skills throughout CIB, resulting in the best possible service to brokers and clients alike

Broker **testimonials**

- "We are extremely proud to be associated with such a company!"
  - Riana Wiese, PSG Meesterplan
- "CIB makes it very hard not to do business with them"
  - Greg Brits, Jurgens Group
- "CIB is committed to establishing long term relationships and continue to raise their level of service to brokers. Their open communication policy makes it easy to do business, engage in high level discussions and find solutions for all parties involved."
  - Wickus van der Walt, FNB Insurance Brokers
- We would like to express our appreciation to the CIB directors and all their staff for their high standard of service and support. Always going the extra mile and taking the time to listen to our needs.
  - Féthon Zapheriou, Insurisk

We understand the broker's world, ensuring long-standing relationships.

Personal | Commercial | Specialised Buildings | Agriculture | Franchise | Marine | Engineering | Motor Fleet | Culinary

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